Original

St Thomas Partners (MRI)

CN1508-033

SAINT THOMAS MEDICAL PARTNERS

CERTIFICATE OF NEED APPLICATION

ACQUISITION OF MRI AND INITIATION OF MRI SERVICES

August 2015

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, 9th Floor Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

INSTRUCTIONS FOR FILING AN APPLICATION FOR A CERTIFICATE OF NEED

Please read the following instructions, the Rules and Regulations of the Agency, and Tennessee Code Annotated, §68-11-1601 *et seq.*, prior to preparation of this application.

DOCUMENTATION: In preparing this application, it is the applicant's responsibility to demonstrate through its answers that the project is necessary to provide needed health care in the area to be served, that it can be economically accomplished and maintained, and that it will contribute to the orderly development of adequate and effective health care facilities and/or services in this area. Consult Tennessee Code Annotated, §68-11-1601 *et seq.*, Health Services and Development Agency Rule 0720-4-.01, and the criteria and standards for certificate of need document Tennessee's Health: Guidelines for Growth, for the criteria for consideration for approval. Tennessee's Health: Guidelines for Growth is available from the Tennessee Health Services and Development Agency or from the Agency's website at www.tennessee.gov/HSDA. Picture of the Present is a document, which provides demographic, vital, and other statistics by county available from the Tennessee Department of Health, Bureau of Policy, Planning, and Assessment, Division of Health Statistics and can be accessed from the Department's website at www2.state.tn.us/health/statistics/HealthData/pubs title.htm.

Please note that all applications must be submitted in triplicate (1 original and 2 copies) on single-sided, unbound letter size (8 x 11 1/2) paper, and not be stapled nor have holes punched. Cover letter should also be in triplicate. If not in compliance as requested, application may be returned or reviewing process delayed until corrected pages are submitted.

REVIEW CYCLES: A review cycle is no more than sixty (60) days. The review cycle begins on the first day of each month.

COMMUNICATIONS: All documents for filing an application for Certificate of Need with the Health Services and Development Agency must be received during normal business hours (8:00a.m. - 4:30p.m. Central Time) at the Agency office, located at the Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243. For the purpose of filing Letters of Intent, application forms, and responses to supplemental information, the filing date is the actual date of receipt in the Agency office. These documents, as well as other required documents must be received as original, signed documents in the

Agency office. Fax and e-mail transmissions **will not** be considered to be properly filed documentation. In the event that the last appropriate filing date falls on a Saturday, Sunday, or legal holiday, such filing should occur on the preceding business day. All documents are to be filed with the Agency in ***single-sided and in triplicate***.

LETTER OF INTENT: Applications shall be commenced by the filing of a Letter of Intent. The Letter of Intent must be filed with the Agency between the first day and the tenth day of the month prior to the beginning of the review cycle in which the application is to be considered. This allowable filing period is inclusive of both the first day and the tenth day of the month involved. The Letter of Intent must be filed in the form and format as set forth in the application packet.

Any Letter of Intent that fails to include all information requested in the Letter of Intent form, or is not timely filed, will be deemed void, and the applicant will be notified in writing. The Letter of Intent may be refiled but, if refiled, is subject to the same requirements as set out above.

PUBLICATION OF INTENT: Simultaneously with the filing of the Letter of Intent, the Publication of Intent should be published for one day in a newspaper of general circulation in the proposed service area of the project. The Publication of Intent must be in the form and format as set forth in the application packet. The Publication of Intent should be placed in the Legal Section in a space no smaller than four (4) column inches. Publication must occur between the first day and the tenth day of the month, inclusive.

1. A "newspaper of general circulation" means a publication regularly issued at least as frequently as once a week, having a second-class mailing privilege, includes a Legal Notice Section, being not fewer than four (4) pages, published continuously during the immediately preceding one-year period, which is published for the dissemination of news of general interest, and is circulated generally in the county in which it is published and in which notice is given.

2. In any county where a "newspaper of general circulation" does not exist, the Agency's Executive Director is authorized to determine the appropriate publication to receive any required Letter of Intent. A newspaper which is engaged in the distribution of news of interest to a particular interest group or other limited group of citizens, is not a "newspaper of general circulation."

3. In the case of an application for or by a home care organization, the Letter of Intent must be published in each county in which the agency will be licensed or in a regional newspaper which qualifies as a newspaper of general circulation in each county. In those cases where the Publication of Intent is published in more than one newspaper, the earliest date of publication shall be the date of publication for the purpose of determining simultaneous review deadlines and filing the application.

PROOF OF PUBLICATION: Documentation of publication must be filed with the application form. Please submit proof of publication with the application by attaching either the full page of the newspaper in which the notice appeared, with the ***mast and dateline intact***, or a publication affidavit from the newspaper.

SIMULTANEOUS REVIEW: Those persons desiring a simultaneous review for a Certificate of Need for which a Letter of Intent has been filed should file a Letter of Intent with the Agency and the original applicant (as well as any other applicant filing a simultaneous review), and should publish the Letter of Intent simultaneously in a newspaper of general circulation in the same county as the original applicant. The publication of the Letter of Intent by the applicant seeking simultaneous review must be published within ten (10) days after publication by the original applicant.

1. Only those applications filed in accordance with the rules of the Health Services and Development Agency, and upon consideration of the following factors as compared with the proposed project of the original applicant, may be regarded as applications filing for simultaneous review.

   (A) Similarity of primary service area;

   (B) Similarity of location;

   (C) Similarity of facilities; and

   (D) Similarity of service to be provided.

2. The Executive Director or his/her designee will determine whether applications are to be reviewed simultaneously, pursuant to Agency Rule 0720-3-.03(3).

3. If two (2) or more applications are requesting simultaneous review in accordance with the statute and rules and regulations of the Agency, and one or more of those applications is not deemed complete to enter the review cycle requested, the other applications(s) that is/are deemed complete shall enter the review cycle. The application(s) that is/are not deemed complete to enter the review cycle will not be considered as competing with the applications(s) deemed complete and entering the review cycle.

FILING THE APPLICATION: *All applications,* including applications requesting simultaneous review, must be filed in ***triplicate*** (original and two (2) copies) with the Agency within five (5) days after publication of the Letter of Intent. ***The date of filing is the actual date of receipt at the Agency office.***

Applications should have all pages numbered.

All attachments should be attached to the back of the application, be identified by the applicable item number of the application, and placed in alpha-numeric order consistent with the application form. For example, an Option to Lease a building should be identified as Attachment A.6., and placed before Financial Statements which should be identified as Attachment C. Economic Feasibility.10. The last page of an application should be the completed affidavit.

Failure by the applicant to file an application within five (5) days after publication of the Letter of Intent shall render the Letter of Intent, and hence the application, ***void.***

FILING FEE: The amount of the initial filing fee shall be an amount equal to $2.25 per $1,000 of the estimated project cost involved, but in no case shall the fee be less than $3,000 or more than $45,000. Checks should be made payable to the Health Services and Development Agency.

FILING FEES ARE NON-REFUNDABLE and must be received by the Agency before review of the application will begin.

REVIEW OF APPLICATIONS FOR COMPLETENESS: When the application is received at the Agency office, it will be reviewed for completeness. The application must be consistent with the information given in the Letter of Intent in terms of both project scope and project cost. ***Review for completeness will not begin prior to the receipt of the filing fee.***

1. If the application is deemed complete, the Agency will acknowledge receipt and notify the applicant as to when the review cycle will begin. "Deeming complete" means that all questions in the application have been answered and all appropriate documentation has been submitted in such a manner that the Health Services and Development Agency can understand the intent and supporting factors of the application. Deeming complete shall not be construed as validating the sufficiency of the information provided for the purposes of addressing the criteria under the applicable statutes, the Rules of the Health Services and Development Agency, or the standards set forth in the State Health Plan/Guidelines for Growth.

2. If the application is incomplete, requests by Agency staff for supplemental information must be completed by the applicant within sixty (60) days of the written request. Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days which is allowed by the statute. If the requested information is submitted within sixty (60) days of the request, but not by the date specified in the staff's letter, the application is not void, but will enter the ***next*** review cycle. If an application is not deemed complete within sixty (60) days after the written notification is given by the Agency staff that the application is deemed incomplete, the application shall be deemed void. If the applicant decides to re-submit the application, the applicant shall comply with all procedures as set out by this part and a new filing fee shall accompany the refiled application.

   Each supplemental question and its corresponding response shall be typed and submitted on a separate sheet of 8 1/2" x 11" paper, be filed in ***triplicate,*** and include a signed affidavit. All requested supplemental information must be received by the Agency to allow staff sufficient time for review before the beginning of the review cycle in order to enter that review cycle.

3. Applications for a Certificate of Need, including competing applications, will not be considered unless filed with the Agency within such time as to assure such application is deemed complete.

All supplemental information shall be submitted simultaneously and only at the request of staff, with the only exception being letters of support and/or opposition.

The Agency will promptly forward a copy of each complete application to the Department of Health or the Department of Mental Health and Developmental Disabilities for review. The Department reviewing the application may contact the applicant to request additional information regarding the application. The applicant should respond to any reasonable request for additional information promptly.

AMENDMENTS OR CHANGES IN AN APPLICATION: An application for a Certificate of Need which has been deemed complete ***CANNOT*** be amended in a substantive way by the applicant during the review cycle. Clerical errors resulting in no substantive change may be corrected.

* **WITHDRAWAL OF APPLICATIONS:** The applicant may withdraw an application at any time by providing written notification to the Agency.

* **TIMETABLE FOR CERTIFICATE OF NEED EXPIRATION:** The Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall **expire**; *however*, the Agency may extend a Certificate of Need for a reasonable period upon application and good cause shown, accompanied by a non-refundable filing fee, as prescribed by Rules. An extension cannot be issued to any applicant unless substantial progress has been demonstrated. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

* **For further information concerning the Certificate of Need process, please call the offices of the Health Services and Development Agency at 615/741-2364.**

* **For information concerning the Joint Annual Reports of Hospitals, Nursing Homes, Home Care Organizations, or Ambulatory Surgical Treatment Centers, call the Tennessee Department of Health, Office of Health Statistics and Research at 615/741-1954**

* **For information concerning Guidelines for Growth call the Health Services and Development Agency at 615/741-2364. For information concerning Picture of the Present call the Department of Health, Office of Health Statistics at 615/741-9395.**

* **For information concerning mental health and developmental disabilities <u>applications</u> call the <u>Tennessee</u> Department of Mental Health and Developmental Disabilities, Office of Policy and Planning at 615/532-6500.**

SECTION A: APPLICANT PROFILE

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate *"N/A"*. ***Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.***

For Section A, Item 1, *Facility Name* ***must be*** *applicant facility's name and address* ***must be*** *the site of the proposed project.*

For Section A, Item 3, *Attach a copy of the partnership agreement, or corporate charter* ***and*** certificate of corporate existence, if applicable, from the Tennessee Secretary of State.

For Section A, Item 4, *Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in* Tennessee Code Annotated, §68-11-1602 *in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.*

For Section A, Item 5, *For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract.*

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

For Section A, Item 6, *For applicants or applicant's parent company/owner that currently own the building/land for the project location; attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements* ***must include*** *anticipated purchase price. Lease/Option to Lease Agreements* ***must include*** *the actual/anticipated term of the agreement* ***and*** *actual/anticipated lease expense. The legal interests described herein* ***must be valid*** on the date of the Agency's consideration of the certificate of need application.

1.	**Name of Facility, Agency, or Institution** Saint Thomas Medical Partners d/b/a Saint Thomas Medical Partners – Neurosurgery - Imaging Center Name 2214 Elliston Place, Suite 200 — Street or Route Davidson — County Nashville — City TN — State 37203 — Zip Code
2.	**Contact Person Available for Responses to Questions** Michael D. Brent — Name Attorney — Title Bradley Arant Boult Cummings LLP — Company Name mbrent@babc.com — Email Address 1600 Division Street, Suite 700 — Street or Route Nashville — City TN — State 37203 — Zip Code Attorney — Association with Owner 615-252-2361 — Phone Number 615-252-6361 — Fax Number
3.	**Owner of the Facility, Agency or Institution** Saint Thomas Medical Partners — Name 615-284-7847 — Phone Number 102 Woodmont Boulevard, Suite 700 — Street or Route Davidson — County Nashville — City TN — State 37205 — Zip Code
4.	**Type of Ownership of Control (Check One)** A. Sole Proprietorship ____ B. Partnership ____ C. Limited Partnership ____ D. Corporate (For Profit) ____ E. Corporation (Not-for-Profit) X F. Government (State of TN or Political Subdivision) ____ G. Joint Venture ____ H. Limited Liability Company ____ I. (Other) Specify) ____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER OF ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)**

Not Applicable
Name

Street or Route | County

City | *State* | *Zip Code*

PUT ALL ATTACHMENT AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS

6. **Legal Interest in the Site of the Institution (Check One)**

A. Ownership	____	*D. Option to Lease*	____
B. Option to Purchase	____	*E. Other (Specify)*________	____
C. Lease of 15 Years*	X		

*Because the lease began in 2004, approximately 3.5 years of the original lease term remain. There is a renewal option for an additional 5 year term.

7. **Type of Institution (Check as appropriate—more than one response may apply)**

A. Hospital (Specify) ________	____	I. Nursing Home	____
B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty	____	J. Outpatient Diagnostic Center	____
C. ASTC, Single Specialty	____	K. Recuperation Center	____
D. Home Health Agency	____	L. Rehabilitation Facility	____
E. Hospice	____	M. Residential Hospice	____
F. Mental Health Hospital	____	N. Non-Residential Methadone Facility	____
G. Mental Health Residential Treatment Facility	____	O. Birthing Center	____
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)	____	P. Other Outpatient Facility (Specify)________	____
		Q. Other X Physician Practice (Neurology)	

7/3698193.3

8. ***Purpose of Review*** ***(Check as appropriate—more than one response may apply)***

A. New Institution	____	G. Change in Bed Complement [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation]	___
B. Replacement/Existing Facility	___	H. Change of Location	____
C. Modification/Existing Facility	____	I. Other (Specify) ________________	
D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) MRI	X		
	X		
E. Discontinue of OB Services	____		
F. Acquisition of Equipment	X		

9. ***Bed Complement Data*** ***NOT APPLICABLE.***

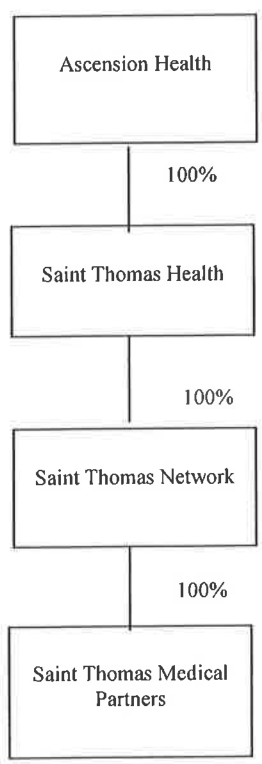
Please indicate current and proposed distribution and certification of facility beds.

	Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2					
P. ICF/MR					
Q. Adult Chemical Dependency (Detox)					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					

TOTAL *CON-Beds approved but not yet in service		
10. Medicare Provider Number		3704080
	Certification Type	Physician's Office/Clinic
11. Medicaid Provider Number		3704080
	Certification Type	Physician's Office/Clinic
12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? N/A		
13. *Identify all TennCare Managed Care Organizations/Behavioral Health Organization (MCOs/BHOs)* operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes **. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**		
Discuss any out-of-network relationships in place with MCOs/BHOs in the area.		

Response to Section A, Item 3: Please See *Attachment A.3*.

Response to Section A, Item 4: Saint Thomas Medical Partners, a Tennessee nonprofit organization, is a multispecialty group practice with practice locations throughout Middle Tennessee and Southern Kentucky. Saint Thomas Medical Partners (the "Applicant") is wholly owned by Saint Thomas Network and is used to employ physicians, including all cardiologists, neurologists, primary care physicians and surgeons (but excluding hospitalists). It also operates a clinic pursuant to a professional services agreement with Nashville Medical Group. The ownership structure is as follows:



Ascension Health is a Catholic organization that is the largest not-for-profit health system in the United States. Hospital members of Saint Thomas Health include Saint Thomas West Hospital in Nashville, include Saint Thomas Midtown Hospital in Nashville, Saint Thomas Rutherford Hospital in Murfreesboro and Saint Thomas Hickman Hospital in Centerville.

Response to Section A, Item 5: Not applicable. The Applicant will manage the clinic.

Response to Section A, Item 6: Please see *Attachment A.6*. Please note that the lease will be assigned from Howell Allen Clinic, P.C. f/k/a Neurological Surgeons, P.C. to the Applicant.

Response to Section A, Item 13: The Applicant currently has contracts with various Managed Care Organizations. The Applicant is Medicare and Medicaid certified. Please see *Attachment A.13* for a list of the Applicant's current contracts with Managed Care Organizations.

NOTE: **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the contribution to the Orderly Development of Health Care. **Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.**

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

RESPONSE:

Introduction and Background

This project is for the acquisition of an MRI and initiation of MRI services by Saint Thomas Medical Partners, a wholly owned subsidiary of Saint Thomas Network. The Applicant owns and operates a multi-specialty medical practice with approximately 375 physicians and providers and practice locations throughout Middle Tennessee and Southern Kentucky. The service is currently provided in a physician practice located at 2214 Elliston Place, Suite 200 in Nashville, Tennessee, 37203. The existing equipment, a GE Horizon short bore MRI with magnet strength of 1.5 Tesla (the "MRI"), will be purchased as part of the acquisition of the physician practice and the MRI will continue to be used for the patients of the practice. The existing MRI was approved for the practice by Certificate of Need CN# 9902-013. The MRI will be wholly owned and operated by the Applicant with professionals and technical personnel provided by the Applicant. The purchase of the equipment will be from cash reserves. The total project cost is estimated at $2,213,165.

Need

Davidson County residents account for more than 30% of the MRI units procedures performed in 2014. Davidson County, together with its surrounding counties, such as Rutherford, Sumner, Wilson, and Williamson Counties, account for more than 60% of the MRI procedures performed at the physician practice in 2014. The consistent high utilization of the MRI throughout the past three years, as later discussed, indicates a continued need for the MRI.

The Applicant does not anticipate that it will hire staff in addition to the physicians and personnel it will employ pursuant to the physician practice acquisition to accommodate the proposed project.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $5 million) and other facility projects (construction cost in excess of $2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

RESPONSE: The MRI identified in this project is part of an existing physician practice located in Nashville, Tennessee. The proposed project does not include construction or renovation since the equipment is being purchased as one component of a physician practice acquisition. The practice acquisition extends the off-site capabilities of the Applicant and represents a distributive model of service to the Davidson County community where Saint Thomas Medical Partners has a substantial physician practice presence.

The MRI occupies approximately 522 square feet of dedicated space in the leased premises and is also allocated 2,612 additional square feet of the leased "common area" (reception area, waiting rooms, circulation areas, etc.).

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

RESPONSE: Not applicable.

SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

Not Applicable.

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost/ SF		
					Renovated	New	Total	Renovated	New	Total
Community Room										
Outpatient Services										
Administration										
Circulation										
Mech/Elec/Data										
Patient Rooms										
Activity Spaces										
Clinical Support										
Circulation										
Mech/Elec/Data										
				TOTALS						
B. Unit/Depart. GSF Sub-Total										
C. Mechanical/ Electrical GSF										
D. Circulation /Structure GSF										
E. Total GSF										

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. **<u>Magnetic Resonance Imaging (MRI)</u>**
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

RESPONSE: The 1.5 Tesla Short Bore unit identified in this application has proven effective for neurology patients of the current physician practice group for over a decade and remains an effective modality for such patients.

The equipment currently exists and is operating at levels above the 2,880 procedures per year standard necessary to justify an additional MRI. The equipment volume over the past several years is:

Year	Total Procedures
2011	6,052
2012	4,305
2013	4,891
2014	4,104
2015*	2,190

*Procedures performed through June 30, 2015

D. Describe the need to change location or replace an existing facility.

RESPONSE: Not applicable.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

   a. **Describe the new equipment, including:**

      GE Horizon, 1.5 Tesla, Short Bore MRI

      1. **Total cost; (As defined by Agency Rule).** $934,700

         Per the Agency Rule, the total cost of $934,700 includes a service contract, a copy of which is provided in *Attachment B.II.E.1*

      2. **Expected useful life.** The remaining useful life of the MRI is estimated to be at least five (5) years.

      3. **List of clinical applications to be provided**

         A list of CPT codes that constitute the majority of the scans performed is provided in *Attachment B.II.E.3*.

      4. **Documentation of FDA approval.** Previously provided in the Agency approval of Certificate of Need CN#9902-013

   b. **Provide current and proposed schedules of operations.**

      RESPONSE: MRI services are normally offered from 7:00 AM until 4:30 PM Monday through Friday, with later hours (and weekends) provided as required.

2. For mobile major medical equipment:

   a. List all sites that will be served;

   b. Provide current and/or proposed schedule of operations;

   c. Provide the lease or contract cost.

   d. Provide the fair market value of the equipment; and

   e. List the owner for the equipment.

   RESPONSE: Not Applicable.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote

and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

RESPONSE: The major medical equipment will be purchased. Fair market value of the equipment is estimated at $359,960.

III. **A.** Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must include**:

1. Size of site (***in acres***);
2. Location of structure on the site;
3. Location of the proposed construction; and
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

RESPONSE: The building in which the MRI is located sits on .75 acres. Please also see *Attachment B.III.(A)*.

B. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

RESPONSE: The facility is centrally located in Nashville with access to major roads and interstates such as West End Avenue, Interstate 40, and Interstate 440. The site is located approximately one and a half miles from Interstate 440 and is easily accessible by traveling east on West End Avenue and then traveling north on Louise Avenue. Additionally, the site is located approximately one mile from Interstate 40 and is easily accessible from that direction by traveling west on West End Avenue and north on Louise Avenue.

Ninety-two percent (92%) of the workers in Davidson County drive to work; therefore, employees as well as patients and their families would have no difficulty reaching the facility.

(Source: http://www.city-data.com/county/Davidson_County-TN.html).

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: ***DO NOT SUBMIT BLUEPRINTS.*** Simple line drawings should be submitted and need not be drawn to scale.

RESPONSE: Please see *Attachment B.IV*.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

RESPONSE: Not Applicable.

SECTION C: <u>GENERAL CRITERIA FOR CERTIFICATE OF NEED</u>

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *<u>Please type each question and its response on an 8 1/2" x 11" white paper.</u>* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

   a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Magnetic Resonance Imaging

Utilization Standards for non-Specialty MRI Units.

a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

RESPONSE: The MRI to be acquired exists, is currently in use in the Service Area, and consistently performs more than 2,880 procedures per year, so the requisite demand exists for this MRI in the service area.

b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

RESPONSE: Not Applicable.

c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

RESPONSE: Not Applicable. The Applicant meets and exceeds the standard number of procedures.

d. Mobile MRI units shall not be subject to the need standard in paragraph 1 b if fewer than 150 days of service per year are provided at a given location.

However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

RESPONSE: Not Applicable.

e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with another medical equipment such as a megavoltage radiation thera.py unit or a positron emission tomography unit) based on the primary purposes of the Unit.

RESPONSE: Not Applicable.

Access to MRI Units. ***All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).***

RESPONSE: As previously mentioned, the facility housing the MRI unit is centrally located given its proximity to two of Nashville's heavily used interstates, Interstates 40 and 440, as well as West End Avenue, which part of a major bus route. In 2014, the Applicant performed a total of 4,104 procedures. Coupling the facility's location near interstates, a major bus route, the fact that 92% of the Service Area's population drive together with the MRI unit's high utilization indicates that its location is accessible to 75% of the Service Area's population. Moreover, there are multiple residential construction sites within a mile of the MRI that will put even more Davidson County residents within easy access of the location.

Economic Efficiencies. ***All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.***

RESPONSE: Not Applicable. The Applicant will take over services being provided by a currently existing MRI with one of the highest utilization rates in Davidson County.

Need Standards for non-Specialty MRI Units.

A need likely exists for one additional non-Specialty MRI unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected

in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year = 3,600 procedures per year

Mobile MRI Units: Twelve (12) procedures per day x days per week in operation x 50 weeks per year. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

RESPONSE: The Patient Origin Utilization chart prepared by the Health Services and Development Agency indicates that 50,485 or 93.07% of the MRI procedures performed for Davidson County residents were performed using MRIs in Davidson County in 2013. Additionally, the Health Services Development Agency MRI Utilization survey contains utilization data for all MRI units in Tennessee for the years 2011-2013. MRI utilization in Davidson County in 2013 is detailed in the chart below:

2013 Davidson County MRI Utilization					
Facility Type	**County**	**Facility**	**Number of MRI's**	**Total Procedures (2013)**	**Procedures per MRI**
ODC	Davidson	Belle Meade Imaging	1	3085	3085
PO	Davidson	Center for Inflammatory Disease	1	19	19
PO	Davidson	Elite Sports Medicine & Orthopaedic Center	2	4771	2385.5
PO	Davidson	Heritage Medical Associates - Murphy Avenue	1*	1965	1965
ODC	Davidson	Hillsboro Imaging	1	4252	4252
ODC	Davidson	Millennium MRI, LLC	1*	451	451
PO	Davidson	Nashville Bone and Joint	1*	939	939
HOSP	Davidson	Nashville General Hospital	1	1775	1775
PO	Davidson	Neurological Surgeons, PC Imaging Office	1	4891	4891
ODC	Davidson	Next Generation Imaging, LLC	1*	859	859
H-Imaging	Davidson	One Hundred Oaks Breast Center	1	682	682
ODC	Davidson	One Hundred Oaks Imaging	2	5430	2715
ODC	Davidson	Outpatient Diagnostic Center of Nashville	2	5044	2522
PO	Davidson	Pain Management Group, PC	1	2712	2712
ODC	Davidson	Premier Orthopeadics and Sports Medicine	2	4471	2235.5
ODC	Davidson	Premier Radiology Belle Meade	3	6929	2309.67
ODC	Davidson	Premier Radiology Brentwood	1	1356	1356
ODC	Davidson	Premier Radiology Hermitage	2	4603	2301.5
ODC	Davidson	Premier Radiology Midtown	2	1351	675.5
ODC	Davidson	Premier Radiology Nashville	1	2072	2072

7/3698193.3

2013 Davidson County MRI Utilization					
Facility Type	**County**	**Facility**	**Number of MRI's**	**Total Procedures (2013)**	**Procedures per MRI**
ODC	Davidson	Specialty MRI	1*	1158	1158
ODC	Davidson	St. Thomas Heart (Stopped 2013)	N/A	N/A	N/A
HOSP	Davidson	St. Thomas Midtown Hospital (fka Baptist Hospital)	2	3249	1624.5
HOSP	Davidson	St. Thomas West Hospital (fka St. Thomas Hospital)	2	5464	2732
PO	Davidson	Tennessee Oncology, PET Services	1	1168	1168
PO	Davidson	Tennessee Orthopaedic Alliance Imaging	3	6325	2108.33
HOSP	Davidson	TriStar Centennial Medical Center	3	8840	2946.67
HOSP	Davidson	TriStar Skyline Medical Center	2	8234	4117
HOSP	Davidson	TriStar Southern Hills Medical Center	1	2740	2740
HOSP	Davidson	TriStar Summit Medical Center	1	4020	4020
HODC	Davidson	TriStar Summit Medical Center - ODC	1*	2249	2249
HOSP	Davidson	Vanderbilt University Hospital	6	29507	4917.83

There are 49 fixed MRI units (3 of which are shared by two providers each) in the Service Area. The MRI utilization of these 49 units was 130,611 MRI procedures in 2013, representing an average utilization of 2,665.53 procedures. There were 52 MRI units in the Service Area in 2012 with an MRI utilization of 129,843, representing an average utilization of 2,496.98 procedures. Most of the fixed units operating below the utilization threshold are specialty MRI units, with lower utilization standards, or physician practices. The high volume consistently experienced with respect to the MRI over the last few years demonstrates the need to continue this service.

(Sources:
http://www.tn.gov/assets/entities/hsda/attachments/patient_origin2013.pdf;
http://www.tn.gov/assets/entities/hsda/attachments/mri-equipment-utilization.pdf)

Need Standards for Specialty MRI Units.

a. Dedicated fixed or mobile Breast MRI Unit. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of I procedure per hour times 40 hours per week times 50 weeks per year), and that:

I. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRJ unit equipment, and that is trained to interpret images produced by an MRJ unit configured exclusively for mammographic studies;

2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit are in compliance with the federal Mammography Quality Standards Act;

3. It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.

4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

RESPONSE: Not Applicable.

b. Dedicated fixed or mobile Extremity MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRJ Un it based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.

RESPONSE: Not Applicable.

c. Dedicated fixed or mobile Multi-position MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 per cent of the total capacity. Non-specialty MRI procedures shall not be

performed on a Dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.

RESPONSE: Not Applicable.

Patient Safety and Quality of Care. ***The applicant must provide evidence that the proposed MRI equipment is safe and effective for its proposed use:***

a. The United States Food and Drug Administration (FDA) shall certify the proposed equipment for clinical use.

RESPONSE: Please see *Attachment B.II.E.4*.

b. The applicant must demonstrate the proposed MRI's services will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

RESPONSE: The MRI unit currently exists and is functioning in compliance with all applicable regulations such as appropriate location of the magnet, installation of proper safety mechanisms, and documentation, training and implementation of all appropriate safety policies and procedures applicable in federal standards, manufacturer's specifications and regulatory agencies.

c. The applicant must demonstrate how emergencies within the MRI facility will be managed in conformity with accepted medical practice.

RESPONSE: The Applicant will adhere to the practice parameters that the American College of Radiology (the "ACR") detailed in its guidance document regarding the performance and interpretation of MRIs, attached hereto as *Attachment C.1.A*.

d. The applicant must establish protocols that assure that all clinical MRI procedures performed are medically necessary and will not unnecessarily duplicate other services.

RESPONSE: Patients' clinical history, prior exams and orders are reviewed to assure that all clinical MRI procedures performed are medically necessary and do not unnecessarily duplicate other services. In cases where there is a question regarding necessity or whether another modality may be more appropriate, the patient's referring provider is contacted for discussion and clarification.

e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

RESPONSE: The Applicant is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

f. All applicants shall commit to obtain accreditation from the Joint Commission, the American *College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.*

RESPONSE: The MRI currently exists and the Applicant will ensure that it maintains its ACR accreditation.

g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

RESPONSE:

The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

RESPONSE: If approved, the Applicant will submit all data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

RESPONSE: Not Applicable.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

RESPONSE: Not Applicable.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

RESPONSE: Not Applicable. The Applicant is already a TennCare/Medicaid and Medicare provider and intends to maintain and increase its provision of services to Medicare and TennCare/Medicaid patients as part of its mission to improve access to comprehensive, cost-effective care.

d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatric, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

RESPONSE: Not Applicable.

The proposed project will further the 5 Principles for Achieving Better Health as set forth in the State Health Plan.

1. The purpose of the State Health Plan is to improve the health of Tennesseans.

RESPONSE: This project will improve the health of Tennesseans by ensuring continued, necessary access to imaging services in a central location, which will make said services more convenient and therefore more likely to be used by Tennesseans. By ensuring those who would otherwise omit an MRI scan, lives can be saved or improved because diseases or conditions will be diagnosed earlier than would be possible absent a diagnostic scan. This, in turn leads to faster treatment and lower overall costs.

2. Every citizen should have reasonable access to health care.

RESPONSE: The principles mentioned above apply to this response as well. Given the MRI's high utilization rate, this project is necessary to ensure continued reasonable access to often life-saving diagnostic testing as quickly as possible. With zero or minimal wait times, patients will receive timely treatment, leading to improved outcomes and lower costs.

3. The State's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the State's health care system.

RESPONSE: The project promotes economic efficiencies because, when compared with the Applicant acquiring a brand new MRI, it is the most cost-effective way to maintain health care services at their current levels without duplicating expensive MRI services. The existing MRI will be put to optimal use, contributing to the orderly development of healthcare by, in effect, shifting a resource to a party who can make better, more extensive use of it. Markets would remain competitive because the Applicant would not feel pressured to increase costs to finance a brand new MRI and other providers will have to remain attractive alternatives to the Applicant's base of providers and patients.

4. Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.

RESPONSE: The Applicant will continue to improve its quality of care through the adoption of best practices and data-driven evaluations. Additionally, the Applicant will maintain the MRI's American College of Radiology accreditation. Such accreditation requires specific quality and safety standards to be in place and that the MRI be operated and monitored by qualified personnel, who ensure the MRI meets state and federal equipment specification and performance requirements.

5. The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.

RESPONSE: In addition to ensuring that the MRI is put to its best to use, the applicant's acquisition of the physician practice and the MRI ensures that physicians who might not have been able to keep pace with the demands of an ever-changing healthcare landscape remain in the field, and providing quality healthcare services to the constituents of the service area.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

RESPONSE: Not Applicable.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

RESPONSE: Saint Thomas Medical Partners is a recognized multi-specialty medical group of choice providing comprehensive, cost-effective and accessible care to Middle Tennessee and Southern Kentucky communities, developing services and innovative partnerships across the region to enhance health and well-being. The addition of this physician practice group and the related MRI equipment and services will enhance the ability to provide such comprehensive, cost-effective and accessible care. The long-range plan for the Applicant is to provide a continuum of services to the residents of Davidson County and surrounding areas.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

RESPONSE: Please see *Attachment C. Need 3*.

4. A. Describe the demographics of the population to be served by this proposal.

RESPONSE: The population in the proposed service area, Davidson County is growing exponentially and is projected to continue to grow over the next five to seven years:

County	2010 Population	2015 Population	2020 Population
Davidson	626,681	663,151	694,104

Source: Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health

The following chart illustrates the demographics of the proposed service area and surrounding counties:

Demographics of the Service Area and Surrounding Counties

	2015	%65+ 2015	TennCare Enrollees	2020	%65+ 2020
Cheatham	40,088	12.76%	7,303	41,189	15.51%
Davidson	663,151	11.62%	144,141	694,104	13.28%
Robertson	71,437	11.64%	13,333	76,232	13.37%
Rutherford	302,237	9.48%	46,765	348,550	10.51%
Sumner	175,054	15.01%	28,474	188,871	17.01%
Williamson	207,872	11.65%	11,364	234,098	12.90%
Wilson	126,472	14.97%	18,057	137,740	17.17%
Tennessee	**6,649,438**	**15.23%**	**1,433,687**	**6,956,764**	**16.08%**

Source: Office of Health Statistics, Bureau of Health Informatics, Tennessee Department of Health, TennCare Division of Health Care Finance and Administration

Davidson County has a significant minority population, with approximately 41.6% of the population being of African American, Asian, Native American, or Hispanic/Latino ethnicity.

From 2009 to 2013, an estimated 18.5% of the population of Davidson County lived below the poverty level, and the median household income for the same period of time was $47,335, with an average of 2.39 persons per household.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

RESPONSE: Saint Thomas Medical Partners and its affiliated Saint Thomas entities, have a long history of providing services to all consumers, including the elderly, women, racial and ethnic minorities, and low income groups.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

RESPONSE: There are no approved but unimplemented CONs of similar projects in the service area. There are 49 fixed MRI units (3 of which are shared by two providers each) in the Service Area. The MRI utilization of these 49 units was 130,611 MRI procedures in 2013, representing an average utilization of 2,665.53 procedures. There were 52 MRI units in the Service Area in 2012 with an MRI utilization of 129,843, representing an average utilization of 2,496.98 procedures. Most of the fixed units operating below the utilization threshold are specialty MRI units, with lower utilization standards, or physician practices. The high volume consistently experienced with respect to the MRI over the last few years demonstrates the need to continue this service.

The chart below, utilizing data from the Health Services and Development Agency Medical Equipment Utilization Survey, indicates the number of MRI procedures in the defined service area for the last three years.

Davidson County MRI Utilization 2012-Present

Facility Type	County	Facility	Total Procedures			
			2012	2013	2014	2015
ODC	Davidson	Belle Meade Imaging	2817	3085	**	**
PO	Davidson	Center for Inflammatory Disease	63	19	**	**
PO	Davidson	Elite Sports Medicine & Orthopaedic Center	4781	4771	**	**
PO	Davidson	Heritage Medical Associates - Murphy Avenue	1831	1965	**	**
ODC	Davidson	Hillsboro Imaging	3968	4252	**	**
ODC	Davidson	Millennium MRI, LLC	366	451	**	**
PO	Davidson	Nashville Bone and Joint	953	939	**	**

Facility Type	County	Facility	Total Procedures			
			2012	2013	2014	2015
HOSP	Davidson	Nashville General Hospital	1481	1775	**	**
PO	Davidson	Neurological Surgeons, PC Imaging Office	4305	4891		
ODC	Davidson	Next Generation Imaging, LLC	649	859	**	**
H-Imaging	Davidson	One Hundred Oaks Breast Center	679	682	**	**
ODC	Davidson	One Hundred Oaks Imaging	5226	5430	**	**
ODC	Davidson	Outpatient Diagnostic Center of Nashville	4878	5044	**	**
PO	Davidson	Pain Management Group, PC	2451	2712	**	**
ODC	Davidson	Premier Orthopeadics and Sports Medicine	5214	4471	**	**
ODC	Davidson	Premier Radiology Belle Meade	7686	6929	**	**
ODC	Davidson	Premier Radiology Brentwood	1058	1356	**	**
Davidson	ODC	Premier Radiology Hermitage	4943	4603	**	**
Davidson	ODC	Premier Radiology Midtown	0	1351	**	**
Davidson	ODC	Premier Radiology Nashville	2376	2072	**	**
Davidson	ODC	Specialty MRI	1467	1158	**	**
Davidson	ODC	St. Thomas Heart (Stopped 2013)	1609	N/A	**	**
Davidson	HOSP	St. Thomas Midtown Hospital (fka Baptist Hospital)	4752	3249	**	**
Davidson	HOSP	St. Thomas West Hospital (fka St. Thomas Hospital)	5631	5464	**	**
Davidson	PO	Tennessee Oncology, PET Services	279	1168	**	**
Davidson	PO	Tennessee Orthopaedic Alliance Imaging	7163	6325	**	**
Davidson	HOSP	TriStar Centennial Medical Center	7996	8840	**	**
Davidson	HOSP	TriStar Skyline Medical Center	7930	8234	**	**
Davidson	HOSP	TriStar Southern Hills Medical Center	2659	2740	**	**
Davidson	HOSP	TriStar Summit Medical Center	4008	4020	**	**

Facility Type	County	Facility	Total Procedures 2012	2013	2014	2015
Davidson	HODC	TriStar Summit Medical Center - ODC	1918	2249	**	**
Davidson	HOSP	Vanderbilt University Hospital	28706	29507	**	**

HSDA MRI Utilization Trends

**Unavailable

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

RESPONSE:

Applicant's Current and Projected Utilization

Year	MRI Procedures
2012	4,305
2013	4,891
2014	4,104
2015*	2,190
2016	4,104
2017	4,104

*Procedures performed through June 30, 2015

The projected utilization statistics above are based upon the Applicant's experience with and statistical data for the existing facility.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

   - All projects should have a project cost of at least $3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)

- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

RESPONSE: Because the MRI unit is already in place and operational, the project costs in this application consist primarily of the cost of the space and service agreement, as detailed on the Project Costs Chart. There is no construction or renovation involved in this project. This project will be funded through operating revenues and cash reserves.

PROJECT COSTS CHART

A.	Construction and equipment acquired by purchase		
	1.	Architectural and Engineering Fees	$
	2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	$10,000
	3.	Acquisition of Site	
	4.	Preparation of Site	$
	5.	Construction Costs	$
	6.	Contingency Fund	$20,000
	7.	Fixed Equipment (Not included in Construction Contract)	$359,960
	8.	Moveable Equipment (List all equipment over $56,000)	
	9.	Other (Service Contract)	$574,740
B.	Acquisition by gift, donation, or lease: Not Applicable.		
	1.	Facility (inclusive of building and land)	$1,243,497
	2.	Building only	
	3.	Land only	$
	4.	Equipment (Specify)	
	5.	Other (Specify)	
C.	Financing Costs and Fees: Not Applicable.		
	1.	Interim Financing	$
	2.	Underwriting Costs	$
	3.	Reserve of One Year's Debt Service	$
	4.	Other (specify)	$
D.	Estimated Project Cost (A+B+C+)		$2,208,197
E.	CON Filing Fee		$4,968.44
F.	Total Estimated Project Cost (D+E)		$2,213,165.44
		TOTAL	**$2,213,165.44**

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

___ A Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

___ B Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

___ C General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting;

___ D Grants--Notification of intent form for grant application or notice of grant award; or

_X_ E Cash Reserves--Appropriate documentation from Chief Financial Officer.

___ F Other—Identify and document funding from all other sources.

RESPONSE: The source of funding for the proposed project will be cash reserves. Please see *Attachment Section C: Economic Feasibility – 2* for documentation the Applicant's Chief Financial Officer.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

RESPONSE: Because the MRI in question will already be in place and operational, the project costs in this application consist primarily of the cost of the space and equipment service contract. There are no associated site acquisition, construction, or renovation costs involved. The project will be funded through operating revenues and cash reserves.

The total cost for this proposal is $2,213,165, which is reasonable and justified in light of the costs of similar projects.

4. Complete Historical and Projected Data Charts on the following two pages--***Do not modify the Charts provided or submit Chart substitutions!*** Historical Data Chart represents revenue and expense information for the last *three (3)* years for

which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

RESPONSE: Please see *Attachment C. Economic Feasibility – 4*. Historical and Projected Data Charts.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

RESPONSE: The project's average gross charge, average deduction from operating revenue, and average net charge are as follows:

	2014	Year 1	Year 2
Average Gross Charge	$428.61	$454.71	$468.35
Average Deduction	$238.86	$253.40	$261.01
Average Net Charge	$189.75	$201.31	$207.34

6. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

RESPONSE: Below is a chart that reflects the current and proposed charge schedules for the project.

Payor	Current	Year 1	Year 2
Private Pay	$441.47	$454.71	$468.35
Medicare	$441.47	$454.71	$468.35
Managed Care	$441.47	$454.71	$468.35

The Applicant does not anticipate any changes to current gross charges as a result of the project.

a. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: Below is a chart of the Medicare approved charges:

CPT Code	Description of Procedure	Medicare Allowable
70551	MRI BRAIN; WO CONTRAST	$212.16
70552	MRIBRAIN; W CONTRAST	$294.36
70553	MRI BRAIN WO/W CONTRAST	$347.91
71550	MRI CHEST	$328.12
72141	MRI SPINAL CANAL CERV; WO CONTRAST	$206.03
72142	MRI SPINAL CANAL CERV; W/CONTRAST	$297.72
72146	MRI SPINAL CANAL THORAC WO CONTRAST	$206.03
72147	MRI SPINAL CANAL THORAC; W CONTRAST	$298.78
72148	MRI SPINAL CANAL LUMB; WO CONTRAST	$205.06
72149	MRI SPINAL CANAL LUMB; W CONTRAST	$294.17
72156	MRI SPINAL WO THEN W CONTRAST; CERV	$349.85
72157	MRI SPINAL WO THEN W CONTRAST; THORAC	$350.55
72158	MRI SPINAL WO THEN W CONTRAST; LUMB	$348.61
72197	MRI PELVIS WO/W CONTRAST	$464.02
73221	MRI UPPER JOINT; UPPER EXTREMITY	$216.84
73721	MRI ANY JOINT; LOWER EXTREMITY	$216.52

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

   RESPONSE: Cost-effectiveness is demonstrated in the project data charts, which indicate a positive operating revenue will continue.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

   RESPONSE: The project is economically feasible and will produce positive operating revenue by the end of Year One.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

   RESPONSE: The Applicant and its affiliates participate in both the Medicare and TennCare/Medicaid programs and have a history of providing care regardless of payor source. The Applicant's records indicate its estimated payor mix for 2014 with respect to gross charges for these payors was 45.8% Medicare and 8.9% TennCare/Medicaid. Additionally, the Applicant provided $310,937,498, or 7.3%, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

RESPONSE: Below is a chart of the Medicare approved charges:

CPT Code	Description of Procedure	Medicare Allowable
70551	MRI BRAIN; WO CONTRAST	$212.16
70552	MRIBRAIN; W CONTRAST	$294.36
70553	MRI BRAIN WO/W CONTRAST	$347.91
71550	MRI CHEST	$328.12
72141	MRI SPINAL CANAL CERV; WO CONTRAST	$206.03
72142	MRI SPINAL CANAL CERV; W/CONTRAST	$297.72
72146	MRI SPINAL CANAL THORAC WO CONTRAST	$206.03
72147	MRI SPINAL CANAL THORAC; W CONTRAST	$298.78
72148	MRI SPINAL CANAL LUMB; WO CONTRAST	$205.06
72149	MRI SPINAL CANAL LUMB; W CONTRAST	$294.17
72156	MRI SPINAL WO THEN W CONTRAST; CERV	$349.85
72157	MRI SPINAL WO THEN W CONTRAST; THORAC	$350.55
72158	MRI SPINAL WO THEN W CONTRAST; LUMB	$348.61
72197	MRI PELVIS WO/W CONTRAST	$464.02
73221	MRI UPPER JOINT; UPPER EXTREMITY	$216.84
73721	MRI ANY JOINT; LOWER EXTREMITY	$216.52

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

   RESPONSE: Cost-effectiveness is demonstrated in the project data charts, which indicate a positive operating revenue will continue.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

   RESPONSE: The project is economically feasible and will produce positive operating revenue by the end of Year One.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

   RESPONSE: The Applicant and its affiliates participate in both the Medicare and TennCare/Medicaid programs and have a history of providing care regardless of payor source. The Applicant's records indicate its estimated payor mix for 2014 with respect to gross charges for these payors was 45.8% Medicare and 8.9% TennCare/Medicaid. Additionally, the Applicant provided $310,937,498, or 7.3%, in care to charity/medically indigent patients in 2014. The Applicant anticipates that the payor mix will remain very similar.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

RESPONSE: Please see the consolidated audited financial statements of Ascension Health Alliance d/b/a Ascension, the Applicant's ultimate parent entity attached hereto as *Attachment C: Economic Feasibility – 10*.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

i. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

RESPONSE: Physician practice group acquisitions in which an applicant takes over services currently being provided by existing provider, especially provider with proven equipment and a high utilization rate, have proven to be economic and effective alternatives.

ii. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

RESPONSE: Not Applicable.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

   RESPONSE: As a member of the Saint Thomas Health network, the Applicant is a member of an integrated healthcare system of hospitals, physician practices, and outpatient diagnostic services. If the Certificate of Need is approved, the Applicant intends to enter into an appropriate transfer agreement with its affiliate, Saint Thomas Midtown Hospital, which is less than a mile from the Applicant's location, as to the transfer of any patient who encounters an emergency during an MRI procedure. Please also see *Attachment A.13* for an overview of the Applicant's Managed Care agreements in place to ensure seamless and comprehensive patient care.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

   RESPONSE: The project will have a positive effect on the health care system and will help ensure that all facilities in the county are providing the best possible services at competitive price points.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

   RESPONSE: Anticipated staffing pattern: AS well as administrative staff which are shared with other aspects of the physician practice, there are 3 FTE MRI Technologists, with wages ranging from $22 to $35 per hour. According to the Tennessee Department of Labor and Workforce Development, the mean hourly wage of the broad category of Health Technologists and Technicians for the service area is $32.11; entry-level wages are $19.58 per hour and experienced wages are $38.37 per hour, so the Applicant's wages sync closely with the prevailing wage pattern in the service area.

   (Source: https://www.jobs4tn.gov/admin/gsipub/htmlarea/Uploads/nashville.pdf)

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

RESPONSE: The Applicant pays wages and offers benefits that are in-line with the prevailing rates of other employment opportunities in the community. The Applicant currently has the staff required by the proposal, including adequate professional staff as per the Department of Health, and does not anticipate difficulty filling positions needed for the project.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

RESPONSE: The Applicant has reviewed and understands the aforementioned requirements.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g.*, internships, residencies, etc.).

RESPONSE: While the Applicant has no agreements in place, it is a part of the broader Saint Thomas Health network of hospitals and providers, which has relationships with numerous schools throughout Middle Tennessee with respect to the training of students.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

RESPONSE: The Applicant is familiar with all licensure requirements of the Tennessee regulatory agencies and relevant Medicare requirements.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

RESPONSE: American College of Radiology, the certificate for which is attached hereto as *Attachment C.7(b)*.

The Applicant is certified for Medicare and Medicaid participation. Its provider numbers are as follows:

State License Number:	Not Applicable
Medicare Certification:	37-04080
Medicaid Certification:	37-04080

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

RESPONSE: Not Applicable. The Applicant is not a licensed healthcare institution.

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

RESPONSE: Not Applicable.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

RESPONSE: Not Applicable.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

RESPONSE: Not Applicable.

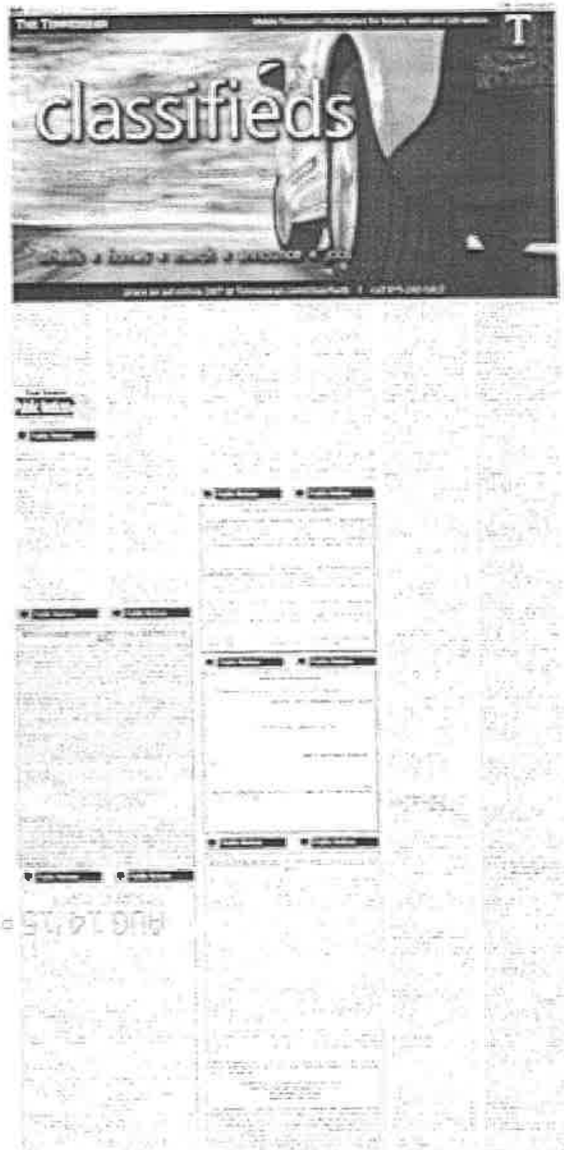
10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

RESPONSE: If the proposal is approved, the Applicant will be happy to provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

A8



6:07 AM

100%

THE TENNESSEAN

A: Main, Page A8

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with [illegible] and the Rules of the Health Services and Development Agency, that Saint Thomas Medical Partners [illegible] Saint Thomas Health [illegible] intends to file an application for a Certificate of Need for [illegible] MRI [illegible] by the applicant. [illegible] located at [illegible] Place, Suite 200, Nashville, Tennessee [illegible]. The [illegible] GE [illegible] MRI [illegible] of the [illegible] $2,21[illegible]

The anticipated filing date of the application is on or before August 14, 2015. The contact person for this project is [illegible] who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. [illegible] telephone number is (615) [illegible] and [illegible] e-mail address is [illegible]@babc.com

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
[illegible]
[illegible] Street, Suite [illegible]
Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Browse
Pages
Index
Options
10
Editions
Search
Help
Offline
Fit

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph,* please state below any request for an extended schedule and document the "good cause" for such an extension.**

Form HF0004
Revised 02/01/06
Previous Forms are obsolete

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c): November 18, 2015 if the project is not heard on the consent calendar; however, the Applicant has requested that the project be placed on the consent calendar, and if that request is granted the project will be heard on October 28, 2015. Assuming the CON approval becomes the final agency action on one of those dates, indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

Phase	**DAYS REQUIRED**	**Anticipated Date (MONTH/YEAR)**
1. Architectural and engineering contract signed		N/A
2. Construction documents approved by the Tennessee Department of Health		N/A
3. Construction contract signed		N/A
4. Building permit secured		N/A
5. Site preparation completed		N/A
6. Building construction commenced		N/A
7. Construction 40% complete		N/A
8. Construction 80% complete		N/A
9. Construction 100% complete (approved for occupancy)		N/A
10. *Issuance of license		N/A
11. *Initiation of service	30	Nov./Dec. 2015
12. Final Architectural Certification of Payment		N/A
13. Final Project Report Form (HF0055)	30	Nov./Dec. 2015

*** For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

Attachment A.3

Corporate Charter and Certificate of Existence

STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

BRADLEY ARANT BOULT CUMMINGS LLP
1600 DIVISION STREET SUITE 700
NASHVILLE, TN 37203

August 12, 2015

Request Type: Certificate of Existence/Authorization
Request #: 0172149

Issuance Date: 08/12/2015
Copies Requested: 1

Document Receipt

Receipt # : 002190257	Filing Fee:	$22.25
Payment-Credit Card - State Payment Center - CC #: 164162025		$22.25

Regarding: **Saint Thomas Medical Partners**
Filing Type: Nonprofit Corporation - Domestic
Formation/Qualification Date: 04/28/1993
Status: Active
Duration Term: Perpetual
Business County: DAVIDSON COUNTY

Control # : 265254
Date Formed: 04/28/1993
Formation Locale: TENNESSEE
Inactive Date:

CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

Saint Thomas Medical Partners

* is a Corporation duly incorporated under the law of this State with a date of incorporation and duration as given above;

* has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;

* has filed the most recent annual report required with this office;

* has appointed a registered agent and registered office in this State;

* has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Tre Hargett

Tre Hargett
Secretary of State

Processed By: Cert Web User

Verification #: 013182120

ARTICLES OF AMENDMENT

OF

BAPTIST HEALTHCARE GROUP

CONTROL NO. 265254

To the Tennessee Secretary of State:

Pursuant to Section 48-60-105 of the Tennessee Nonprofit Corporation Act, as amended, the undersigned officer of Baptist Healthcare Group, a domestic nonprofit corporation (the "Corporation"), hereby submits these Articles of Amendment to its Charter:

(1) The name of the Corporation as it appears of record is Baptist Healthcare Group.

(2) The Corporation is not for profit.

(3) The text of the Amendment is as follows: Article I, Section 1.1 of the Amended and Restated Charter of the Corporation, as amended, is deleted and the following language shall be substituted in its place:

1.1 The name of the corporation is "Saint Thomas Medical Partners."

(4) The Articles of Amendment were duly adopted by the sole member of the Corporation on Feb 09, 2015.

(5) Approval of the amendment to the charter by some person or persons other than the sole member of the Corporation, the Board of Trustees, or the incorporator, is required pursuant to Section 48-60-301 of the Tennessee Nonprofit Corporation Act, as amended, and such approval was obtained on Feb 09, 2015.

(6) The Articles of Amendment shall be effective on the date of filing.

BAPTIST HEALTHCARE GROUP

By: ______________________

Michael Schatzlein, M.D., President

7/3322350.1

Attachment A.6

Lease

ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT (the "Agreement") is made and entered into effective as of the ___ day of August, 2015, by and between HOWELL ALLEN CLINIC, P.C., a Tennessee professional corporation ("Assignor"), and SAINT THOMAS MEDICAL PARTNERS, a Tennessee not-for-profit corporation ("Assignee").

WITNESSETH:

WHEREAS, Assignor (formerly known as Neurological Surgeons, P.C.) and Elliston Place Partners, LLC (successor by assignment to NS Leasing, LLC) ("Landlord") are parties to that certain Office Lease Agreement dated July 1, 2004, as amended by that certain First Amendment to Office Lease Agreement dated January 1, 2006, and as further amended by that certain Second Amendment to Office Lease Agreement dated March 1, 2007 (collectively, the "Lease"); and

WHEREAS, Assignor leases Suite 200 in the building located at 2214 Elliston Place, Nashville, Tennessee (the "Premises") from Landlord under the Lease; and

WHEREAS, Assignor and Assignee have entered into a Professional Services Agreement dated August 5, 2015 (the "PSA"); and

WHEREAS, Assignor has agreed to assign its right, title and interest in the Lease to Assignee, on the terms and conditions set forth herein; and

WHEREAS, Assignee has agreed to assume the obligations of Assignor under the Lease to the extent expressly provided herein.

NOW THEREFORE, for the covenants contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor and Assignee agree as follows:

1. Defined Terms. All capitalized terms defined in the Lease and not defined in this Agreement shall have the meaning ascribed to them in the Lease.

2. Assignment and Assumption. Unless this Agreement is terminated pursuant to Section 4 below: (i) Assignor hereby assigns, transfers and conveys to Assignee all of Assignor's right, title and interest in the Lease effective as of the later to occur of (A) the "Effective Date" of the PSA, and (B) the date upon which Assignee closes its acquisition of substantially all of the assets of Assignor, as contemplated by the PSA (the "Assignment Effective Date"); and (ii) Assignee hereby assumes and agrees to perform Assignor's obligations under the Lease to the extent, but only to the extent, such obligations first arise and relate to periods from and after the Assignment Effective Date. Notwithstanding anything to the contrary contained herein, Assignor shall remain responsible for, and Assignee is not assuming, any obligations or liabilities of Assignor under the Lease that relate to an event, matter, period or circumstance occurring prior to the Assignment Effective Date, even though such obligations or liabilities do not arise or accrue until after the Assignment Effective Date.

3. Representations. Assignor represents and warrants to Assignee that: (i) Assignor is the successor by name change to Neurological Surgeons, P.C.; (ii) Assignor is the holder of the

tenant's interest under the Lease; (iii) a true, accurate and complete copy of the Lease is attached hereto as **Exhibit A**; (iv) the Lease is in full force and effect and the Lease has not been amended, modified, supplemented or terminated; (v) the Lease constitutes the entire agreement between Landlord and Assignor related to the Premises; (vi) the Term of the Lease commenced on March 1, 2004 and will expire on February 28, 2019, unless earlier terminated or extended in accordance with the express provisions of the Lease; (vii) the current monthly Base Rent and Additional Base Rent under the Lease is $34,068.60 per month and has been paid in full through August 31, 2015; (viii) Assignor's interest in the Lease is not subject to any liens, collateral assignments, security interests or other encumbrances; (ix) neither Landlord nor Assignor is in default under the Lease and, to the knowledge of Assignor, no matter exists that with the giving of notice, the passage of time or both would constitute a default by Landlord or Assignor under the Lease; (x) the Premises are in good working order and condition and are suitable for their present use; (xi) unless this Lease is terminated pursuant to Section 4, Assignor will be selling substantially all of its assets to Assignee; and (xii) Assignor has the right, power and authority to transfer its interest in the Lease to Assignee, without obtaining the consent of Landlord or any other person or entity.

4. Acquisition of Assets. Notwithstanding anything to the contrary, if Assignee has not either, by December 1, 2015, for any reason or no reason, (a) acquired substantially all of the assets of Assignor, or (b) obtained approval of the Tennessee Health Services and Development Agency regarding an application for a Certificate of Need for the acquisition of an MRI and initiation of MRI services, to be owned and managed by Assignee at 2214 Elliston Place, Suite 200, Nashville, Tennessee, 37203, then this Agreement shall automatically terminate and be null and void, unless Assignor and Assignee agree otherwise, in writing.

5. No Brokers. Assignor and Assignee (i) each represents and warrants to the other that it has not dealt with any broker, finder or listing agent in connection with the transaction contemplated by this Agreement, and (ii) agrees to indemnify, defend and hold harmless the other party from and against all actions, lawsuits, liabilities, damages, costs and expenses (including, without limitation, reasonable attorneys' fees, court costs and litigation expenses) arising or resulting from any claim for a commission or other compensation made by a broker, finder or listing agent with whom it has dealt or allegedly dealt.

6. Governing Law. This Agreement shall be governed by the laws of the State of Tennessee.

7. Attorneys' Fees. If any legal proceeding is commenced related to this Agreement, the prevailing party in such legal proceeding shall be entitled to recover the reasonable attorneys' fees, court costs and litigation expenses it incurs in connection with such proceeding from the non-prevailing party therein, including, but not limited to, court costs and other expenses through all appellate levels.

8. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

ASSIGNOR:

HOWELL ALLEN CLINIC, P.C.

By: ____________________
Name: ____________________
Title: ____________________

ASSIGNEE:

SAINT THOMAS MEDICAL PARTNERS

By: ____________________
Name: Karen Springer
Title: President + CEO
08-11-15

EXHIBIT A

COPY OF LEASE

(ATTACHED)

FIRST AMENDMENT TO LEASE AGREEMENT
ELLISTON PLACE DEVELOPMENT
2214 ELLISTON PLACE
NASHVILLE, TENNESSEE

THIS FIRST AMENDMENT TO OFFICE LEASE AGREEMENT ("Amendment") dated as of January 1, 2006 (the "Effective Date"), is by and between NS LEASING, LLC, a Tennessee limited liability company ("Lessor"), and NEUROLOGICAL SURGEONS, P.C., a Tennessee professional corporation ("Lessee").

Recitals:

Lessee leases from Lessor certain premises in Nashville, Tennessee, consisting of approximately 9,146 gross square feet of office floor space (the "Premises"), designated as Suite 200 of the center called Elliston Place Development, 2214 Elliston Place, Nashville, Tennessee, by that certain Office Lease Agreement, dated as of July 1, 2004 (the "Lease"). Lessor and Lessee desire to amend the Lease as set forth herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt, adequacy, and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Increase in Base Rent.** Notwithstanding the fact that Section 2 of the Lease provides that the Base Rent for the Premises was initially $25.00 *per* gross square foot and is to be adjusted on each anniversary of the Commencement Date based on changes in the Consumer Price Index for All Urban Consumers, United States Average "All Items" (1982-1984 = 100) published by the Bureau of Labor Statistics of the U.S. Department of Labor, as of the Effective Date of this Amendment the Base Rent shall be $35.00 *per* gross square foot, with such amount continuing to increase in the manner described in Section 2 of the Lease beginning on March 1, 2007.

2. **Contradictions; Ratification.** In the event of any inconsistency or contradiction between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall control. Except as modified herein, all of the terms, covenants, and conditions of the Lease shall remain in full force and effect.

3. **General.** This Amendment and the covenants, benefits, and obligations created hereby shall inure to the benefit of and be binding upon the parties hereto and their assigns, heirs, grantees, and successors in interest. Defined terms used in this Amendment, unless otherwise defined in this Amendment, shall have the same meaning as set forth in the Lease. This Amendment may not be modified in any respect whatsoever or rescinded, in whole or in part, except with the written consent of the parties hereto. Time is of the essence in regard to this Amendment and the Lease.

(Remainder of Page Intentionally Left Blank)

4. **Counterparts.** This agreement may be executed in multiple counterparts, all of which will constitute one complete agreement. Each party shall be bound by a facsimile copy of its signature.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized representatives as of the day and year first written above.

LESSOR:	LESSEE:
NS LEASING, LLC	NEUROLOGICAL SURGEONS, P.C
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________

SECOND AMENDMENT TO OFFICE LEASE AGREEMENT

THIS SECOND AMENDMENT TO OFFICE LEASE AGREEMENT is made and entered into as of the 1st day of March, 2007 (the "Effective Date"), by and between **ELLISTON PLACE LIMITED PARTNERSHIP**, an Arkansas limited partnership ("Lessor") and **NEUROLOGICAL SURGEONS, P.C.**, a Tennessee professional corporation ("Lessee").

WITNESSETH:

WHEREAS, NS Leasing, LLC ("NS Leasing"), as lessor, and Lessee entered into that certain Office Lease Agreement dated July 1, 2004, as amended by First Amendment To Lease Agreement dated as of January 1, 2006 (collectively the "Lease"), whereby NS Leasing agreed to lease to Lessee office space in Elliston Place Development at 2214 Elliston Place, Suite 200, Nashville, Tennessee containing approximately 9,146 gross square feet (the "Premises");

WHEREAS, NS Leasing assigned all of its right, title and interest in the Lease to Lessor; and

WHEREAS, Lessor and Lessee wish to amend the Lease as described herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lessor and Lessee agree as follows:

1. <u>Rent</u>. Section 2 of the Lease is amended to provide that the Base Rent shall be reduced to $31.00 per gross square foot as of March 1, 2006, and that, on March 1, 2007 and thereafter, the Base Rent shall be adjusted each year based on changes to the Index as originally written, so that the Base Rent as of the Effective Date shall be subject to such adjustment.

2. <u>Utilities</u>. Section 4(b) (iii) is amended by deleting such section in its entirety and inserting in place thereof and substitution therefore the following:

> Utilities for the Center and Common Areas, including water, power, heating, lighting, air-conditioning and ventilation. Notwithstanding the foregoing, utilities shall not include charges for electrical power which is separately metered to the Premises and the costs of which is to be paid by Lessee.

3. <u>Guaranty of Lease</u>. Each of the following shareholders ("Guarantors"):

(i) Everette I. Howell, Jr., M.D.
(ii) Vaughan A. Allen, M.D.
(iii) Tomothy P. Schoettle, M.D.
(iv) Gregory B. Lanford, M.D.
(v) Steven R. Abram, M.D.
(vi) Scott C. Standard, M.D.
(vii) Carl R. Hampf, M.D.
(viii) Jason R. Hubbard, M.D.
(ix) Paul McCombs, M.D.

has executed, on even date herewith will execute, that certain Unlimited Guaranty ("Guaranty") by which each Guarantor has personally, jointly and severally guaranteed the payment of all liabilities and the performance of all obligations and duties imposed upon Lessee under the Lease. It is hereby acknowledged by the parties that the Guaranty is an obligation under the Lease and a failure of any Guarantor to provide such guaranty shall be an Event of Default under the Lease. Unless otherwise agreed to in writing by Lessor in its sole discretion, no Guarantor shall be released from his or her obligations under the Guaranty by virtue of such Guarantor's retirement or other termination of employment with Lessee. Upon written request by Lessee to Lessor upon any Guarantor's retirement or other termination of employment with Lessee, Lessor may, in its sole discretion, agree to release such Guarantor in the event that an acceptable replacement guarantor is added to the Guaranty.

4. Estoppel. Lessee hereby ratifies and confirms all information, representations, warranties and covenants contained in that certain Lessee Estoppel Certificate from Lessee dated February 20, 2007.

5. Miscellaneous. Capitalized terms used but not defined herein shall have the meanings for such terms that are set forth in the Lease. Except as provided hereinabove, the Lease shall remain in full force and effect as originally written. In the event of any inconsistency or contradiction between the terms of the Lease and the terms of this Second Amendment, the terms of this Second Amendment shall control.

Signatures begin on Following Page

IN WITNESS WHEREOF, said parties have caused this original and one (1) counterpart of this Second Amendment to be executed by their duly authorized representative on the day and year first written above.

LESSOR:	LESSEE:
ELLISTON PLACE LIMITED PARTNERSHIP	NEUROLOGICAL SURGEONS, P.C.
By: ____________	By: Tom R. Hall
Name: ____________	Name: Tom R. Hall
Title: ____________	Title: CEO

OFFICE LEASE AGREEMENT
ELLISTON PLACE DEVELOPMENT
2214 ELLISTON PLACE
NASHVILLE, TENNESSEE

THIS LEASE AGREEMENT made and entered into in Nashville, Tennessee, this 1st day of July, 2004, by and between NS Leasing, LLC, a Tennessee limited liability company (herein called "Lessor"), and Neurological Surgeons, P.C., a Tennessee professional corporation (herein called "Lessee").

WITNESSETH

In consideration of the premises and the mutual covenants, conditions and agreements herein contained, and the rent hereinafter agreed to be paid, Lessor does hereby Lease to Lessee and Lessee does hereby accept from Lessor, certain premises in Nashville, Davidson County, Tennessee, consisting of approximately:

9,146 gross square feet of office floor space (the "Rentable Area"), whether the same should be more or less as a result of variations resulting from actual construction and completion of the Premises for occupancy.

The leased space is located in the center called Elliston Place Development (the "Center"). The Premises are designated as Suite 200 and are outlined on the floor plan attached hereto as Exhibit A and made a part hereof by this reference (said leased property herein called "Premises").

The term "Property" used herein means that certain real property described on Exhibit B and having a street address of 2214 Elliston Place, Nashville, Tennessee.

TO HAVE AND TO HOLD the said Premises with all the rights and privileges thereto appertaining unto the Lessee for the term hereof upon the following covenants, conditions and agreements:

1. **TERM:** The term of this Lease shall be for one hundred eighty (180) months commencing on March 1, 2004 (the "Commencement Date"), and ending on February 28, 2019 (the "Expiration Date"). The period from the Commencement Date to the Expiration Date is referred to herein as the "Initial Term". Lessee shall have one (1) five (5) year option to renew (the "Renewal Term"). The Initial Term and Renewal Term are, collectively, the "Term." In the event of any delay on the part of Lessor in making the Premises available for occupancy by Lessee that is not caused by Lessee, the Commencement Date of the Term and the obligation of the Lessee to pay rent shall be extended to the date the Premises are ready for occupancy as determined by the Lessor. After the Commencement Date, Lessee shall promptly, upon demand, execute and deliver to Lessor the Lessee Acceptance Agreement in the form attached hereto as Exhibit C.

2. **RENT:** Lessee agrees to pay as base rent for the Premises an annual amount equal to $25.00 per gross square foot, with such amount increasing in the manner described herein at the beginning of each year during the Term (herein "Base Rent"). Accordingly, Lessee shall pay following

sums as Base Rent for the first lease year of the Term: $228,650.00 per annum or $19,054.17 per month.

Thereafter, on the anniversary date of the Commencement Date, the Base Rent shall be adjusted each year based on changes in the Consumer Price Index for All Urban Consumers, United States Average "All Items" (1982-1984 = 100) published by the Bureau of Labor Statistics of the U.S. Department of Labor the ("Index"). The Adjustment shall be calculated as follows:

a. The Index number in the column entitled "All Items" for the third month next preceding the first month of the preceding year shall be the "Base Index Number" and the corresponding Index number for the third month next preceding the first month of the current year shall be the "Current Index Number".

b. The Base Rent, as adjusted for each year of the Term, shall equal the number derived by dividing the Current Index Number by the Base Index Number multiplied by the then current Base Rent.

c. If during the Lease Term, the Bureau of Labor Statistics of the U.S. Department of Labor ceases to maintain or standard as will most nearly accomplish the aim and purpose of the Index and the use thereof by the parties to this Lease shall be used in the place of the Index.

The Base Rent, together with one-twelfth (1/12) of the Base Rent Adjustment as hereinafter defined, shall be due and payable in advance without demand on the first day of each calendar month during the Term of this Lease. In addition, Lessee shall pay to Lessor any sales, use or other tax (excepting corporate excise and income tax) that may be levied upon or in any way measured by this Lease or the rents payable by Lessee, notwithstanding the fact that a statute, ordinance or enactment imposing the same may endeavor to impose such tax upon Lessor. If the Term of this Lease commences on other than the first day of a calendar month or terminates on other than the last day of a calendar month, then the Base Rent and the Base Rent Adjustment for such month or months shall be prorated. Lessee shall also pay as additional rent, all such other sums of money as shall become due from and payable by Lessee to Lessor under this Lease. All rent or other payments due hereunder, if not paid when due, shall bear interest at the per annum rate of the Base Rate of interest that Citibank, N.A. establishes from time to time as its Base Rate, plus 2%, said interest rate to be adjusted on the date the Base Rate changes, but not to exceed the maximum lawful rate of interest chargeable under the laws of the State of Tennessee, from the date due until paid. In addition, Lessee shall pay to Lessor all costs of collection of the sums due hereunder including reasonable attorney fees. For purposes of this Lease Agreement, Rent shall mean Base Rent, the Base Rent Adjustment, and all other costs and expenses to be paid to Lessor herein.

3. **SIDEWALKS, PARKING AND COMMON AREA**: Lessee shall neither encumber nor obstruct the sidewalks, parking areas or other Common Areas adjoining the Premises, nor allow the same to be obstructed or encumbered in any manner. Lessee shall not place, or cause to be placed, any merchandise, vending machines or anything on the sidewalks, parking areas or other Common Areas without the expressed written consent of the Lessor whose consent shall not be unreasonable withheld.

Lessee shall not park in the Common Areas of the Center, except in non-designated parking spaces, nor cause others to do so. The parking area shall be reserved for the use of the customers of Lessee, the Lessor, the other Lessees, as well as employees. There are approximately 79 non-exclusive parking spaces available at the Center.

4. **BASE RENT ADJUSTMENT**

(a) Common Areas. The phrase "Common Areas" shall mean all areas within the boundaries of the Property available for the non-exclusive use of Lessee and other persons leasing or occupying space on the Property, including, without limitation, the following: parking areas (including employee parking areas), access roads, traffic signal equipment signs, truck ways, driveways, entrances and exits, walkways, hallways, loading areas, passage ways, curbs, landscaped and planted areas, retaining walls and curbs, stairways, sidewalks, public restrooms, common utilities, bus stops, lighting facilities, sound equipment, sprinklers, and such other areas, facilities and improvements as may be maintained or caused to be maintained by Lessor on the Center's site, as Lessor may expand same.

(b) Operating Costs. The phrase "Operating Costs" shall mean all operating expenses of the Center and all Common Areas calculated in accordance with generally accepted accounting principles consistently applied and shall include all expenses, costs and disbursements (but not payments of principal and interest on notes secured by deeds of trust on the Center and Common Areas; capital investment items related to the initial construction of the Center and Common Areas; costs specially billed to specific Lessees; costs for which Lessor is otherwise reimbursed; or costs arising from Lessor's (or another third party's) violation of any laws, regulations or ordinances unless such violations arise from any change in laws, regulations or ordinances) of every kind and nature that Lessor shall pay or become obligated to pay because of or in connection with the ownership, maintenance, administration and operation of the Center or Common Areas, including but not limited to, the following:

(i) Commercially reasonable wages, salaries, taxes, insurance and benefits directly attributable to all employees engaged in operating, maintaining, managing or providing security for the Center or Common Areas and to personnel who may provide traffic control relating to ingress and egress between the parking areas and adjacent public streets, all such amounts shall be in proportion to such employee's time spent working at the Center, if not employed to work solely at the Center.

(ii) All supplies and materials used solely or primarily in operation and maintenance of the Center and Common Areas.

(iii) Utilities for the Center and Common Areas, including water, power, heating, lighting, air conditioning and ventilation.

(iv) Maintenance, janitorial (but not any medical waste disposal), security, and service agreements for the Center and Common Areas, the sidewalks, parking lots, and common areas, appurtenant to Lessee to the Center, and the equipment therein.

(v) Commercially reasonable casualty, liability, and rent loss insurance applicable to the Center and Common Areas and Lessor's personal property used in connection therewith.

(vi) Taxes, assessments and governmental charges attributable to the Center and all Common Areas.

(vii) Repairs and general maintenance (excluding repairs and general maintenance paid by proceeds of insurance or by Lessee or other third parties).

(viii) Amortization of the cost of installation of capital investment items that are primarily for the purpose of reducing Operating Costs as hereinafter defined or which may be required by governmental authority by the passage of new laws, regulations, or requirements coming into effect after the Commencement Date.

(ix) Lessor's reasonable accounting costs attributable to the Center.

(x) Commercially reasonable fees paid by Lessor for management of the Center.

(xi) Commercially reasonable legal consultants', appraisers' and auditing fees incurred in connection with an appeal for reduction of taxes or for other management purposes directly incurred in the operation of the Center and all Common Areas.

If during any calendar year the occupancy of the rental area of the Center is less than 95% full, then Operating Expenses will be adjusted for such calendar year at a rate of 95% occupancy.

(c) Base Year. The term "Base Year" shall mean the calendar year 2004, provided that for purposes of determining Operating Expenses for the Base Year, Operating Expenses shall be adjusted upward as if the Center had 95% occupancy for a twelve (12) month period.

(d) Lessee's Proportionate Share. For the purpose of computing the Lessee's Proportionate Share of increase in Operating Cost, the Premises shall have a rentable area of 9,146 square feet, and the total rentable area for all the premises in the Center shall be deemed to be 27,440 square feet. Lessee's Proportionate Share shall be 33%.

(e) Base Rent Adjustment. Commencing on January 1, 2005, as Additional Base Rent, Lessee shall pay Lessor Lessee's Proportionate Share of any increase in Operating Expenses incurred during any calendar year within the Term (or any fractional part of the calendar year with Lessee's obligation in such case to be prorated) above the Operating Expenses Lessor incurred during the Base Year (the "Base Rent Adjustment"). For this purpose, Lessor may estimate, in its reasonable discretion, the amount by which the annual Operating Costs per square foot of the Center for each calendar year or portion thereof during the Term will exceed the annual Operating Costs for the Base Year, and Lessee's Base Rent shall be adjusted upward by the amount of such estimated excess multiplied by Lessee's Proportionate Share (the "Estimated Base Rent Adjustment"). Said Estimated Base Rent Adjustment shall be divided by twelve and paid to Lessor as Additional Base Rent monthly on the same day the Base Rent is due and payable.

Within one hundred fifty (150) days or as soon thereafter as may be reasonably practicable after the conclusion of each calendar year during the Term, Lessor shall furnish to Lessee a report describing the actual amount of Operating Costs per square foot of Center for such calendar year and the actual Base Rent Adjustment. A lump sum payment shall be made by Lessor to Lessee or by Lessee to Lessor, as appropriate, within thirty (30) days after the delivery of such report equal to the amount of any difference between the actual Base Rent Adjustment payable by Lessee pursuant to this Section 4 and the amount of any previous payments thereof by Lessee due to the Estimated Base Rent Adjustment based upon Lessor's estimate of annual Operating Costs. For a ninety (90) day period following the giving of such report, Lessor shall afford Lessee reasonable access to Lessor's books and records with respect to Operating Costs, to enable Lessee to verify the amount of Operating Costs that are the basis for the computation of the actual Base Rent Adjustment and the actual amount of the difference to be paid by Lessee or Lessor, as applicable; or, in lieu of such right of inspection, Lessor may, in its sole discretion, provide Lessee with an audit of Lessor's books and records with respect to Operating Costs prepared by an independent certified public accountant.

5. **USE AND OCCUPANCY**: Lessee will use the Premises solely for medical office space, which is consistent with a first class office building, and which shall include clinical operations including imaging, pain management, and other surgical services.

6. **LAWFUL AND MORAL USE**: Lessee shall not occupy or use, or permit any portion of the Premises to be occupied or used for any business or purpose which is unlawful, disreputable or deemed to be extra-hazardous on account of fire, or permit anything to be done which would in any way increase the rate of fire or liability or any other insurance coverage on the Center and/or its contents, cause the load upon any floor of the Center to exceed the load for which the floor was designed or the amount permitted by law, or use electrical energy exceeding the capacity of the then existing feeders or wiring installations. Lessee shall further conduct its business and control its agents, employees, invitees, and visitors in such manner as not to create any nuisance, or interfere with, annoy or disturb any other Lessee or Lessor in its operation of the Center.

7. **HAZARDOUS SUBSTANCE**: Lessee covenants and agrees that it shall not cause or permit any "Hazardous Substances" (as hereinafter defined) to be placed, held, generated, handled, transported, located or disposed of [**in violation of any applicable laws or statutes,**] in, on, about or at the Premises, or any part thereof and that the Premises nor any part thereof shall ever be used as a dump site or storage site (whether permanent or temporary) for any Hazardous Substances during the Term. Lessee hereby agrees to indemnify Lessor and hold Lessor harmless from and against any and all losses, liabilities, including strict liability, damages, injuries, expenses, including reasonable attorneys' fees, costs of any settlement or judgment and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Lessor by any person or entity or governmental agency for, with respect to, or as a direct or indirect result of, the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or release from, the Premises of any Hazardous Substance (including, without limitation, any losses, liabilities, including strict liability, damages, injuries, expenses, including reasonable attorney's fees, costs or any settlement or judgment or claims asserted or arising under the Comprehensive Environmental Response, Compensation and Liability Act, any so called federal, state or local "Superfund" or "Superlien" laws, statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability, including strict liability, substances or standards of conduct concerning any Hazardous Substance); provided, however, that the foregoing indemnity is limited to

matters arising solely from Lessee's violation of the covenant contained herein. For purposes of this Lease, "Hazardous Substances" shall mean and include those elements or compounds which are contained in the list of hazardous substances adopted by the United States Environmental Protection Agency (the "EPA") or the list of toxic pollutants designated by Congress or the EPA or which are defined as hazardous, toxic, pollutant, infectious or radioactive by any other Federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic or dangerous waste, mold, mildew, substance or material, as now or at any time hereinafter in effect. Without limiting the generality of the foregoing, Hazardous Substances shall include petroleum and petroleum products.

Notwithstanding anything in this Section 7 to the contrary, Lessor acknowledges that Lessee's use of the Premises described in Section 5 includes the use of x-ray devices and other materials which may constitute Hazardous Substances. Lessor approves the use of these substances provided such use complies with all applicable laws and ordinances.

8. **INTENTIONALLY OMITTED.**

9. **ASSIGNMENT AND SUBLETTING:** Lessee covenants and agrees not to assign this Lease or sublet said Premises or any part of same, or in any other manner transfer the Lease or Premises, without the prior written consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed. In the event of such subletting or assignment with the consent of Lessor, Lessee nevertheless shall remain liable for performance of all terms and conditions of this Lease, including all payments to Lessor under and in compliance with this Lease. Any consent to a subletting or assignment shall not be deemed a consent to any subsequent subletting or assignment. Lessee shall submit to Lessor the name of the proposed sub- lessee or assignee, the intended use and terms, and Lessor shall, in addition to its right to withhold consent, have fifteen (15) days in which to elect to terminate this Lease in which event the parties shall be relieved of further responsibilities to each other accruing after the effective termination date. In the event that Lessor does not elect to terminate and Lessor further consents to said subletting or assignment, any rents or other amounts received by the Lessee for the Lease maintenance, or upkeep of the premises or Common Areas herein above the amounts payable by Lessee to Lessor hereunder, less any expenses incurred by Lessee as a result of obtaining such assignment or subletting, shall be deemed "real estate profit" and shall be paid to Lessor. A sublease or assignment of the Lease to any wholly owned subsidiary of Lessee or to any parent corporation of Lessee or by reason of the merger or consolidation of Lessee with others, or sale of substantially all of Lessee's assets to others, shall not require the consent of Lessor or give Lessor the right of termination hereunder, but Lessee shall remain liable under the Lease as set forth herein. In no event shall any sublease or assignment be made which would in any way violate any then existing exclusive provisions granted to other Lessees, and any such attempted sublease or assignment shall be null and void.

10. **ALTERATIONS.** Lessee may make such non-structural alterations and improvements to the interior of the Premises as may be proper and necessary for the conduct of Lessee's business and for the full beneficial use of the Premises; provided, however, Lessee shall obtain Lessor's prior written consent and approval, which shall not be unreasonably withheld, conditioned or delayed, for any material non-structural alteration or improvement, and provided Lessee shall pay all costs and expenses thereof and make such alterations, changes and improvements in a good and workmanlike manner, and in compliance with all applicable federal and state laws (specifically including, without limitation, the

American with Disabilities Act), regulations, ordinances and building codes. Lessee hereby completely and fully indemnifies Lessor against any mechanic's lien or other lien or claims in connection with the making of such alterations, changes and improvements, and shall remove or bond over such lien within thirty (30) days of notice of such lien.

11. **SERVICES TO BE FURNISHED BY LESSOR.**

Lessor shall furnish the following services:

(a) Entry to the Premises during normal working hours on business days. On other days and after normal working hours, Lessee may have entry to the Premises at such times by a key, card key system, or by signing in with a guard, whichever is chosen by Lessor.

(b) Elevator facilities on business days from 7:00 a.m. to 6:00 p.m. and an elevator subject to call at all other times.

(c) Hot and cold water at those points of supply provided for general use of other Lessees in the Center; central heat and air conditioning in season from 7:00 a.m. to 5:30 p.m. on business days and from 7:00 a.m. to 2:00 p.m. on Saturdays, at such temperatures and in such amounts as are reasonably considered by Lessor to be standard, but service at times during business days other than normal business hours for the Center, other hours on Saturdays, and on Sundays and holidays or in an amount considered by Lessor to be in excess of standard (machinery, lighting fixtures or equipment in the Premises having an electrical load in excess of four (4) watts per square foot of rentable area or occupancy in excess of one person per 200 square feet of rentable area being conclusively presumed to be in excess of standard) to be furnished only upon the request of Lessee, who shall bear the entire cost thereof; routine maintenance and electric lighting service for all public areas and special service areas of the Center in the manner and to the extent reasonably deemed by Lessor to be standard.

(d) Janitorial service on business days; provided Lessee shall provide all disposal of medical waste in compliance with applicable laws and in a manner satisfactory to Lessor, cleaning for any area used for storage, preparation, service or consumption of food or beverages on a daily basis, and pest extermination on a monthly basis in a manner reasonably satisfactory to Lessor. Furthermore, Lessee is responsible for all disposal of medical waste.

(e) Electrical facilities and sufficient power for typewriters, voice writers, calculating and duplicating machines, personal computers, and other machines of similar low electrical consumption; but not including electricity required for main frame or mini-computer, electronic data processing equipment and special lighting in excess of building standards, or any item of electrical equipment which (singularly) consumes more than 0.5 kilowatts at rated capacity or requires a voltage other than 120 volts single phase. If Lessee uses any of the services or electrical current as enumerated in this subparagraph (e) in an amount greater than 20,000 watt hours annually per square foot of rentable area or such larger amounts as may be deemed excessive by Lessor, Lessor reserves the right to charge Lessee as Additional Rent a reasonable sum as reimbursement for the direct cost of such added services. Said Additional Rent shall be due and payable on the same day the Monthly Base Rent is due and payable as set forth in paragraph 2 hereof. In the event of disagreement as to the reasonableness of such charge, the opinion of the appropriate local utility company or a local independent professional engineer reasonably selected by Lessor shall prevail. Any additional equipment, feeders or risers necessary to supply Lessor's electrical requirements in excess of the amount to be provided by Lessor pursuant to this subsection (e) shall be supplied by Lessor at the expense of Lessee, provided such installations will not, in Lessor's judgment, overload the electrical system of the Center or entail excessive or unreasonable alterations to the Center or the Premises.

(f) All building standard fluorescent bulb replacement in all areas and all incandescent bulb replacement in public areas, toilet and restroom areas and stairwells. Failure by Lessor to any extent to furnish the services described in this Section 11, or any cessation thereof, resulting from the repair or alteration of the Center or causes beyond the reasonable control of Lessor shall not be construed as an eviction of Lessee, nor work an abatement of rent, nor relieve Lessee from fulfillment of any covenant or agreement hereof.

12. **COMPLIANCE WITH LAWS AND REGULATIONS**: Lessee shall comply with all applicable laws, ordinances and regulations (including, without limitation, the Americans with Disabilities Act, OSHA, and all regulations and promulgations thereunder) affecting the Premises, whether now existing or hereafter enacted, provided, however, that if any applicable laws, ordinances and regulations require an alteration or modification of the Premises (a "Code Modification"), and such Code Modification (i) is not made necessary as a result of the specific uses being made by Lessee of the Premises (as distinguished from an alteration or improvement which will be required to be made by the owner of any office building comparable to the Center, irrespective of the use thereof by any particular occupant), and (ii) is not made necessary as a result of any alteration of the Premises by Lessee, such Code Modification shall be performed by Lessor, at Lessor's sole cost and expense.

13. **LOSS OR DAMAGE TO LESSEE'S PROPERTY**: Lessee shall store its property in and shall occupy the Premises and use all other portions of the property of which the Premises are a part, at its own risk. Lessor and Lessor's agent and employees shall not be liable for, and Lessee waives all claims against them to the maximum extent allowed under law for loss or damage to Lessee's business or damage to person(s) or property sustained by Lessee or any person claiming by through or under Lessee resulting from an accident or occurrence in or upon the Premises or the building of which they are a part or any part thereof including but not limited to claims for damage resulting from any equipment becoming out of repair, damage done or occasioned by wind, any defect in or failure of plumbing, heating or air-conditioning equipment, electric wiring or installation thereof, gas, water, stairs, porches, railings or walks, broken glass, the backing up of any sewer pipe or down spout, the bursting, leaking or running of any tank, any water closet, waste pipe drain or any other pipe or tank in, upon or about such Center or the Premises, the escape or water upon or coming through the roof, windows, and doors of the Premises or the Center of which they are a part, the falling of any fixture, tile, and any act or omission to act of other lessees, licensees, or of any other persons or occupants of the buildings of which the Premises are a part of or adjoining or contiguous buildings or of owners of adjacent or contiguous property. Notwithstanding the foregoing, nothing herein shall waive Lessee's claims against Lessor for loss or damage to Lessee's business or damage to person or property arising from the gross negligence or intentional act of Lessor or its agents or employees.

14. **MECHANIC'S LIEN**: Lessee shall have no authority, express or implied to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind, the interest of Lessor in the Premises or to charge the rentals payable hereunder for any claim in favor of

any person dealing with Lessee, including those who may furnish materials or perform labor for any construction or repairs and each such claim shall affect and each such lien shall attach to, if at all, only the leasehold interest granted to Lessee by this instrument. It is understood and agreed that if Lessee shall make repairs or improvements to the Premises, Lessee shall, in making such repairs or improvements, act solely for its own benefit and not as an agent of Lessor and that Lessor's interest in the Premises, the building of which the Premises are a part, and the Center, shall not be subject to any mechanic's, furnisher's or materialmen's liens. No contract for material will be entered into by Lessee except with the express stipulation that any lien arising therefrom shall not attach to Lessor's fee interest, but only to Lessee's leasehold interest in the Premises.

Lessee covenants and agrees that it will pay or cause to be paid all sums due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises on which any lien is or could be validly and legally asserted against its leasehold interest in the Premises or the improvements thereon. Lessee will save and hold Lessor harmless from any and all loss, cost or expense, including attorney's fees, based on or arising out of asserted claims or liens against the Leasehold estate or against the rights, title and interest of the Lessor in the Premises or under the terms of this Lease. Lessee shall discharge by payment of satisfactory bond pursuant to statutory procedures any lien arising out of work performed or materials furnished on the Premises by or through, or under Lessee within thirty (30) days after the filing of same.

15. **DAMAGES, ACCIDENTS, ETC.**: Irrespective of the adequacy of said insurance, Lessee shall save Lessor free and harmless from all liability for injury or damage to any person(s), firm(s), corporation(s), or property occurring on or about the Premises, or arising out of any accident or any other occurrence on the Premises or due directly or indirectly to the use of said Premises or any part thereof by Lessee, its agents, sublessee or assigns including all costs, expenses, and attorney's fees incurred by Lessor in defense of any such claims.

16. **PLATE GLASS AND OTHER INSURANCE**: Lessee shall carry, at its own cost and expense, (a) fire and extended coverage, vandalism and malicious mischief insurance at full replacement cost covering its furniture, fixture, equipment, leasehold improvements, signs and inventory; (b) commercial general liability insurance against claims for bodily injury, death, or property damage occurring in, on, or about the parking areas, Center, and Premises in a combined single limit of not less than Two Million Dollars ($2,000,000) and (c) plate glass insurance on all plate glass in the Premises, such insurance to be for the benefit of both Lessee and Lessor. Lessee shall, during the Term, replace at its own cost and expense any broken or damaged glass in the Premises, however caused. All such insurance shall contain an agreement by the insurance company that the policy or policies will not be cancelled or the coverage changed without thirty (30) days' prior written notice to Lessor.

17. **DESTRUCTION BY FIRE, ETC.**: In the event the Premises shall be damaged or destroyed by fire or other casualty to such extent that Lessor cannot reasonably be expected to make necessary repairs or rebuild within 180 days from the date of such damage or destruction, this Lease shall terminate and Lessee shall be allowed an abatement of rent from the date of such damage or destruction. If the Premises shall be damaged or destroyed by fire or other causes within Lessor's standard fire and extended coverage coinsurance policies to such extent that (a) Lessor can reasonably be expected to make necessary repairs within 180 days from the date of such damages or destructing, or (b) Lessee opts to continue the Lease despite the likelihood that the repairs will not be completed within

180 days, then this Lease shall not terminate and the Premises shall be repaired by Lessor at its own expense, and the rent shall abate proportionately until the repairs are completed and possession thereof given to Lessee, and the Term of this Lease shall be extended for a period equal to such period of rent abatement but it shall not otherwise be affected. Should fifty percent (50%) or more of the total floor area of the Center at any time be damaged or destroyed by fire or any other cause, Lessor may elect not to rebuild and may forthwith terminate this Lease by written notice to Lessee of Lessor's election to so terminate. Should the Premises be damaged or destroyed by causes not within the coverage of Lessor's above mentioned fire and extended coverage insurance, and Lessor does not, with reasonable dispatch, commence to restore or repair the Premises to leaseable condition, then, in that event, either party may terminate this Lease by notice in writing by registered mail to the other of its election to terminate; however, if Lessor agrees to commence to restore or repair the Premises to leaseable condition, then, in that event, Lessor agrees to allow Lessee a proportionate abatement of Base Rent in an amount which bears the same proportion to the Base Rent as the number of square feet of damaged floor space in the said Premises to the total number of square feet in the Premises, which reduction shall continue until such restoration or repair shall be completed. Lessee shall in all events restore or repair its additions, and improvements to the Premises, and also any other damage or destruction the repair or restoration of which is not provided for herein above. Lessee shall, in case of such damage or destruction, give immediate notice in writing to Lessor.

18. **REPAIRS BY LESSOR**: Lessor shall not be required to make any improvements to or repairs of any kind or character in the Premises during the Term of this Lease, except such repairs as may be reasonably deemed necessary by Lessor for normal maintenance operations required to maintain the Premises in tenantable condition. The obligation of Lessor to maintain and repair the Premises shall be limited to building standard items. Special leasehold improvements will, at Lessee's written request, be maintained by Lessor at Lessee's expense, at a cost or charge equal to the direct costs incurred in such maintenance plus 15% of said cost to cover overhead. Lessor shall be responsible for the operation and maintenance of the Common Area, as hereinafter defined, including, without limitation, the repair and maintenance of all parking areas, driveways, sidewalks, landscaped areas, drainage, lighting facilities, and traffic directional signs and markers within the Common Areas, and to keep the same in a clean and sightly condition, clearly striped and reasonably free of rubbish, refuse, snow, ice, and dirt. Further, the Lessor shall repair and maintain the structural portions of the Center, including exterior walls and roof and all systems servicing the Center and Premises, including but not limited to, electrical, HVAC, plumbing and elevator.

19. **REPAIRS BY LESSEE**: Lessee shall, at its own cost and expense, repair or replace any damage or injury done to the Premises or the Center, or the Common Area caused by Lessee, its agents, contractors, servants, employees, invitees, or visitors; provided, however, if Lessee fails to make such repairs or replacements promptly, Lessor may, at its option, make such repairs or replacements, and Lessee shall pay the cost thereof to the Lessor on demand as additional rent.

20. **RIGHT OF ENTRY, ETC.**: Lessor reserves the right during the term of this Lease to enter the Premises at reasonable hours and upon reasonable prior notice to Lessee to show the same to others who may be interested in the property, and for the purpose of inspecting the Premises and to make such repairs as Lessor may deem necessary for their protection and preservation; but Lessor is not bound to make any repairs whatever. Notwithstanding Lessor's rights to access the Premises, Lessor shall not violate the rights and privacy of Lessee's patients thereby.

21. **KEYS, LOCKS, AND CARD KEYS:** Lessor shall furnish Lessee with two (2) keys for each corridor door entering the Premises and two (2) card keys (if applicable) to the Center. Additional keys will be furnished at a charge to the Lessee on an order signed by Lessee or Lessee's authorized representative. All such keys shall remain the property of Lessor. No additional locks shall be allowed on any door of the Premises nor shall Lessee change the locks without Lessor's permission, and Lessee shall not make, or permit to be made any duplicate keys, except those furnished by Lessor. Upon termination of this Lease, Lessee shall surrender to Lessor all keys and card keys of the Premises and give to Lessor the explanation of the combination of all locks for safes, safe cabinets and vault doors, if any, installed in the Premises by Lessee.

22. **INTENTIONALLY DELETED.**

23. **DEFAULT AND REMEDIES:** The following shall constitute events of default hereunder (each an "Event of Default"):

(a) If any voluntary or involuntary petition under any section of any bankruptcy act shall be filed by or against Lessee, or any voluntary or involuntary proceeding in any court or tribunal shall be instituted to declare the Lessee insolvent or unable to pay Lessee's debts, and in the case of an involuntary petition or proceeding, the petition or proceeding is not dismissed within thirty (30) days from the date it is filed, Lessor may elect, upon notice of such election, to terminate this Lease.

(b) If Lessee defaults in the payment of any installment of Rent and does not cure the default within five (5) days after notice, or if Lessee defaults in the prompt performance of any other provision of this Lease and does not cure such other default within thirty (30) days, or forthwith if the default involves a hazardous condition, or if the leasehold interest of Lessee be levied upon under execution or be attached by process of law, or if Lessee makes an assignment for the benefit of creditors, or if a receiver be appointed for any property of Lessee, or if Lessee abandons or vacates the Premises, Lessor may terminate this Lease and Lessee's right to possession of the Premises or, without terminating this Lease, forthwith terminate Lessee's right to possession of the Premises.

Upon any termination of this Lease, or upon any termination of the Lessee's right to possession without termination of the Lease after an event of default, Lessee shall immediately vacate the Premises and deliver possession to Lessor. In the event of such a default, Lessor shall also have the right to change the locks at the Lease Premises and to accelerate all of the Rent and other monetary obligations of Lessee under this Lease, less the fair rental value of the Premises, discounted to present value at a six percent (6%) discount rate to the fullest extent permitted by law.

If Lessor elects, upon Lessee's default, to terminate Lessee's rights to possession only, without terminating this Lease, Lessor may, at Lessor's option, enter into the Premises, remove Lessee's signs and other evidences of tenancy, and take and hold possession thereof without such entry and possession terminating this Lease or releasing Lessee from the obligation to pay the Rent hereunder for the full Term. Upon and after entry into possession without termination of this Lease, Lessor may relet the Premises or any part thereof for the account of Lessee, for such time and upon such terms as Lessor in its sole discretion shall determine, and Lessor shall not be required to accept any prospective lessee offered by Lessee or to observe any instructions given by Lessee about such reletting. A reletting for a term longer than the then remaining Term shall not constitute an acceptance by Lessor of a surrender of this Lease or a waiver of any of Lessor's rights hereunder. In any such case, Lessor may make repairs, alterations and additions in or to the Premises, and redecorate the same to the extent reasonably deemed necessary or desirable by Lessor, and Lessee shall, upon demand, pay the cost thereof, together with Lessor's expense of the reletting. If the consideration collected by Lessor upon any such reletting for Lessee's account is not sufficient to pay monthly the full amount of the Rent reserved in this Lease, together with the costs of repairs, alterations, additions, redecorating and Lessor's expenses of reletting, Lessee shall pay to Lessor the amount of each monthly deficiency upon demand.

Any property which may be removed from the Premises by the Lessor pursuant to the authority of this Lease or of law, to which Lessee is or may be entitled, may be handled, removed or stored by Lessor at the risk, cost and expense of Lessee, and Lessor shall in no event be responsible for the value, preservation or safe-keeping thereof. Lessee shall pay to Lessor, upon demand, any and all expenses incurred in such removal and all storage charges against such property so long as the same shall be in Lessor's possession or under Lessor's control. Any such property of Lessee not retaken from storage by Lessee within thirty (30) days after the end of the Lease Term, however terminated, shall be conclusively presumed to have been conveyed by Lessee to Lessor under this Lease as a bill of sale.

24. **RIGHT TO TERMINATE NON EXCLUSIVE:** The Lessor's remedies set forth herein are in addition to and not in exhaustion of such other rights that Lessor has under applicable law (or in equity) or causes of action that may accrue to Lessor because of Lessee's failure to fulfill, perform or observe the obligations, agreement or covenants of this Lease, and the exercise by Lessor of any of the rights or causes of action accruing hereunder shall not be in exhaustion of such other rights or causes of action that Lessor might otherwise have, and Lessee shall pay all reasonable attorney's fees and expenses of Lessor occasioned by Lessee's default or failure to perform the obligations, agreement or covenants hereof, incurred by Lessor in enforcing any of the provisions hereof, or any of Lessor's rights hereunder.

25. **WAIVER OF BREACH:** It is hereby covenanted and agreed that no waiver of a breach of any of the provisions of this Lease shall be construed to be a waiver of any succeeding breach of the same or any other provisions. Failure of Lessor to declare any default immediately upon occurrence thereof, or delay in taking any action in connection therewith, shall not waive such default, but Lessor shall have the right to declare any such default at any time and take such action as might be lawful or authorized hereunder, either at law or in equity.

26. **EXTENSION, PARTIAL PAYMENT:** It is agreed that, should Lessor, at its option, either extend the time of payment or accept partial payment on one or more of the minimum monthly rents installments or other monetary obligations hereunder, neither of these acts shall be construed as altering the terms of payment of any subsequent installments or obligations, and should Lessor at its option accept a partial payment on any installment or other monetary obligation, Lessor expressly reserves the right to re-entry, as provided in the case of nonpayment by Lessee, at any time after the date to which such partial payments, figured on a prorated basis, pays Lessee's rental or other monetary obligations.

27. **NOTICE:** It is expressly understood and agreed that no act, practice, or custom on the part of Lessor with respect to giving notice of the time that monthly or other payments are due shall ever be construed as an obligation on the part of Lessor to give such notice.

28. **DELIVERY AT END OF LEASE:** Lessee agrees to deliver to Lessor, or Lessor's agent or assigns, the Premises at the expiration of this Lease, or any renewal thereof, cleared of all persons and property not belonging to same, in good order and condition and to make good all damage to the Premises, ordinary wear and tear excepted. The delivery of the Premises shall be made on the last day of this Lease, and in the event of the failure of Lessee to make delivery of the Premises on such day, it shall be optional with Lessor to either hold Lessee for renewal of said Lease at one hundred fifty percent (150%) of the Base Rent last prevailing for the further term of one month or hold Lessee for any damages that Lessor may have sustained due to the failure of Lessee to make proper delivery of the Premises to the Lessor. It being expressly understood and agreed that in the event Lessee should hold over after the termination of this Lease, either by expiration of the term herein stated or otherwise, only insofar as provided above at the Lessor 's option shall such holding over be construed as a holding over from month to month, and except for such option by Lessor such holding over shall be from day to day and solely at the will of Lessor. No demand or notice of such delivery shall be necessary.

29. **"TO LET" SIGN:** It is understood and agreed that Lessor will be permitted to keep or exhibit inside the show window of the Premises a "To Let" Sign for one hundred eighty (180) days prior to the expiration of this Lease. The sign will be approved by both Lessor and Lessee. In addition, during this period, Lessor reserves the right to show the Premises to prospective Lessees or brokers.

30. **EMINENT DOMAIN:** In the event of the taking of at least twenty 20% percent of the total land area of the Center or any portion of the Premises by eminent domain or as the result of any law, order, regulation or ordinance of any government or governmental agency, neither party shall be liable to the other in any respect on account thereof, and such taking shall not constitute an eviction. In the event of any such taking, Lessor may terminate this Lease, at its option, by notice in writing duly given within thirty (30) days following the effective date of the taking. If Lessor elects to so terminate this Lease, Lessor shall be entitled to receive and retain the entire proceeds paid in the taking, including any amounts paid for the land and Premises taken, as well as any amounts paid on account of the diminution in value of the leasehold estate. Lessee shall be entitled to receive and retain only such amounts as may be paid on account of its moving expenses, relocation costs, and the value of its permitted leasehold fixtures. If, on the other hand, Lessor does not elect to terminate this Lease on account of such taking, then Lessor shall apply so much of the condemnation award as may be necessary in order to restore the Center and the Premises to a condition reasonably comparable to its condition immediately prior to the taking. Further, in the event Lessor does not elect to terminate this Lease, the Rent shall be reduced in proportion to the reduction in the square footage of the Premises. If by reason of any taking Lessee is unable to reasonably conduct its business, this Lease shall terminate.

31. **INTENTIONALLY OMITTED.**

32. **INTENTIONALLY OMITTED.**

33. **WAIVER OR SUBROGATION:** Lessor and Lessee agree, provided such agreement does not invalidate or prejudice any policy of insurance that, in the event the Premises or the fixtures or

merchandise therein are damaged or destroyed by fire or other casualty that is covered by insurance of the Lessor or Lessee, the rights, if any, of any party against the other or against the employees agents or licensees of any party, with respect to any loss resulting therefrom, including the interruption of the business of any of the parties, are hereby waived to the extent of the coverage of such insurance. Lessor and Lessee agree, further, that all policies of fire, extended coverage, business interruption and other insurance covering the Premises or the contents, fixtures and improvements therein, shall, if obtainable, contain a clause or endorsement providing in substance that the insurance shall not be prejudiced if the assureds have waived the right of recovery from any person or persons prior to the date and time of loss or damage, if any additional premiums shall be paid by the party benefited thereby.

34. **COVENANTS RUN TO HEIRS, ETC.**: It is hereby covenanted and agreed between the parties hereto that all covenants, conditions, agreements and undertakings in this Lease contained shall extend to and be binding upon, and inure to the benefit of (except as limited by the terms hereof), the respective heirs, administrators, executors, successors and assigns of the respective parties hereto the same as if they were in every case named and expressed; also that the term "Lessor and 'Lessee" shall be construed in the singular or plural number accordingly as they respectively represent one or more than one person.

35. **SUBORDINATION**: Lessee shall execute all assignments of leases, subordination, ratification, non-disturbance, atonement and other agreements as may be required by any mortgagee of the Center or the Premises within ten (10) days after request by Lessor; provided, however, Lessee's obligations herein are conditioned upon such mortgagee's agreement in writing not to disturb Lessee's possession of the Premises. Lessee will further enter into such modifications or amendments to the Lease and furnish such other financial information as may be reasonably required by the parties to be secured by any such mortgage or lien.

36. **ESTOPPEL CERTIFICATE**: Lessee, upon Lessor's, or its successors and assigns, reasonable request, shall certify in writing that Lessor is not in default under the terms of this Lease, and that the same is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as so modified); that Rent has been paid; that there are no defaults by the Lessor under the Lease nor any existing condition with respect to which the giving of notice or lapse of time would constitute a default; that Lessee has no options or rights other than as set forth in this Lease or any amendment thereto. If such letter is to be delivered to a purchaser of the Center, it shall further include the agreement of Lessee to recognize such purchaser as Lessor under this Lease, and thereafter to pay rent to the purchaser or its designee in accordance with the terms of this Lease. Lessee acknowledges that any purchaser or prospective mortgagee of the Center may rely upon such estoppel letter and that Lessor may incur substantial damages by reason of any failure on the part of Lessee to provide such letter in a timely manner.

37. **NOTICES**: Unless otherwise provided elsewhere in this Lease, any notice required or permitted to be made by either party under the terms of this Lease shall be given in writing and shall be forwarded by certified mail, postage prepaid. Notices to the Lessor shall, unless the Lessor otherwise advises the Lessee in writing be addressed to:

NS Leasing, LLC
2410 Patterson Street, Suite 500
Nashville, TN 37203

Notices to the Lessee shall, unless the Lessee otherwise advises the Lessor in writing, be addressed to:

Neurological Surgeons, P.C.
2410 Patterson Street, Suite 500
Nashville, TN 37203

Notices shall be deemed to have been given when said certified mail is deposited in any United States Post Office which accepts certified mail.

38. **MEMORANDUM OF LEASE**: This Lease or a Memorandum of Lease may not be recorded by either party.

39. **APPLICABLE LAW**: The laws of the State of Tennessee shall govern the validity, performance and enforcement of this Lease and any provision of this Lease which is contrary to a law which the parties cannot legally waive or contract against is and shall be void and not binding on any party hereby; provided, however, that the invalidity or unenforceable of any provision of this Lease shall not affect or impair any other provisions.

40. **CAPTIONS**: The headings of the Articles contained herein are for the convenience only of the parties and do not define, limit or construe the contents of such Articles.

41. **CONSTRUCTION OF TERMS**: The words "Lessor" and "Lessee" as used herein shall include all individuals, corporations (and if a corporation, its officers, employees or agents) and any and all other persons or entities, and their respective heirs, executors, administrators, legal representatives, successors, and assigns of the parties hereto, and all those holding under either of them, and the pronouns used herein shall include, when appropriate either gender and both singular and plural. Unless the context clearly denotes to the contrary, the word "rent" or 'Rental" as used in this Lease not only includes cash rental, but also all other payments and obligations to pay assumed by Lessee, whether such obligations to pay run to the Lessor or other parties.

42. **ASSIGNMENT BY LANDLORD**: Lessor shall have the right to transfer, sell, and assign, in whole or in part, all its rights and obligations hereunder and in the Center. The parties hereby specifically consent to the assignment or transfer of this Lease to a purchaser of the Center or to the holder of any deed of trust that encumbers the Center.

43. **HOLD HARMLESS** - Lessor shall not be liable to Lessee, or to Lessee's agents, contractors, servants, or employees for any damage to person or property caused by any act, omission or neglect of Lessee or such persons, and Lessee agrees to indemnify and hold Lessor harmless from all liability and claims for any such damage. Lessee shall not be liable to Lessor, or to Lessor's agents, contractors, servants or employees for any damage to person or property caused by any act, omission or

neglect of Lessor or such persons, and Lessor agrees to indemnify and hold Lessee harmless from all claims for such damages.

44. **LIMITATION OF LESSOR'S LIABILITY.**: Lessor's liability to Lessee shall be limited as follows:

(a) Lessor shall not be liable or responsible to Lessee for any injury to person or property occurring in the parking areas, the Center, the Common Areas, or the Premises unless caused by the gross negligence or willful acts of Lessor, its agents, servants or employees other than the employees of any independent, bonded janitorial service company engaged by Lessor to provide janitorial service to the Premises. Any janitorial service company so engaged by Lessor shall be solely responsible for any such injury to person or property caused by its employees, and Lessor shall provide Lessee with the name and address of such company.

(b) Lessor shall not be liable or responsible to Lessee for lost profits, business interruption or any other type of incidental, consequential, or special damages caused by the making of repairs or alterations to the Premises, the Center, or the Common Area, failure to provide or interruption of services, failure to make repairs, injury to person or property, or otherwise.

(c) All separate and personal liability of Lessor or any partner thereof of every kind or nature, if any, is hereby expressly waived by Lessee, and by every person now or hereafter claiming by, through, or under Lessee; Lessee shall look solely to Lessor's interest in the Center and the proceeds of any insurance maintained by Lessor in connection with the Center for the payment of any claim against Lessor.

45. **QUIET ENJOYMENT**: Lessor covenants and warrants that Lessee, upon paying the Rent and performing the covenants of this Lease, shall at all times during the Term have and enjoy full, quiet and peaceful possession of the Premises, and all rights and privileges incident thereto.

46. **BREACH**: In the event of breach or this Lease by Lessor or Lessee, each party agrees to pay, in addition to all other damages for which it is responsible, reasonable attorney's fees and costs incurred in the enforcement of the Lease or collection of amounts due thereunder.

47. **INTENTIONALLY OMITTED.**

48. **MORTGAGEE PROTECTION:** Lessee agrees to give any mortgage and/or deed of trust holders, as to all or a portion of the Center, a copy of any notice of default served upon Lessor, provided that prior to such notice Lessee has been notified in writing (by way of notice or assignment of rents and leases, or otherwise) of the addresses of such mortgage and/or deed available by virtue of Lessor's default unless Lessee has given such mortgage and/or deed of trust holders thirty (30) days after receipt of notice of such default or such other amount of time as may be reasonable required to cure such default.

49. **FORCE MAJEURE:** If either Lessor or Lessee is delayed in or prevented from performing any act required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason not

the fault of the party delayed in performing work or doing acts required under this Lease, then performance of such acts shall be excused for the period of the delay and the period for the performance of any such acts shall be extended for a period equivalent to the period of such delay. The foregoing shall only apply if the party delayed in performing work or doing acts required under this Lease gives written notice to the other party of the delay as soon as practically possible after the event causing the delay. Nothing in this section shall operate to excuse Lessee from the prompt payment of Rent, except as otherwise provided in the Lease.

50. **MISCELLANEOUS**: (a) Any amendment to this Lease must be in writing and signed by Lessor and Lessee. (b) Time is of the essence of this Agreement.

51. **ENTIRE AGREEMENT**: This Lease contains all of the agreements and conditions made between the parties hereto and no representations or statements oral or written claimed to have been made and not herein contained shall vary or modify this contract in any way.

(Remainder of Page Intentionally Left Blank)

IN WITNESS WHEREOF, the undersigned Lessee. Lessor and Guarantor have executed this Lease the day and year first above written.

LESSOR:

NS LEASING, LLC

BY:____________________

TITLE: President

DATE. 7/7/04

LESSEE:

NEUROLOGICAL SURGEONS, P.C.

BY:____________________

TITLE: President

DATE: 7/7/04

EXHIBIT A

SITE PLAN

EXHIBIT B

PROPERTY

EXHIBIT C

LESSEE ACCEPTANCE AGREEMENT

THIS AGREEMENT made this _____ day of _______________, 2004, between NS Leasing, LLC, a Tennessee limited liability company (hereinafter referred to as "Landlord") and Neurological Surgeons, P.C., a Tennessee professional corporation (hereinafter referred to as "Lessee");

WITNESSETH:

WHEREAS, Landlord and Lessee entered into a Lease Agreement dated ____________, 2004 (hereinafter referred to as the "Lease") with respect to Suite No. 300 (hereinafter referred to as the "Leased Premises") in the building known as Elliston Place Development;

WHEREAS, terms not defined herein shall have the same meanings as those ascribed to them in the Lease;

NOW THEREFORE, pursuant to the provisions of Paragraph 1 of the Lease, Landlord and Lessee mutually agree as follows:

1. The Commencement Date is ___________________ and the Expiration Date of the Lease Term is ______________________.

2. Lessee is in possession of, and has accepted, the Leased Premises demised by the Lease, and acknowledges that all the work to be performed by the Landlord in the Leased Premises as required by the Lease has been satisfactorily completed. Lessee further certifies that all conditions of the Lease required of the Landlord as of this date have been fulfilled and there are no defenses or set-offs against the enforcement of the Lease by Landlord.

[The Balance of This Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have duly executed and sealed this Agreement, as of the date and year first above stated.

Landlord:

NS LEASING, LLC

By:____________________

Title: PRESIDENT

Lessee:

NEUROLOGICAL SURGEONS, P.C.

By:____________________

Title: PRESIDENT

Attachment A.13

Managed Care Contracts

Saint Thomas Health

WITH YOU, FOR LIFE

Hospitals Managed Care Contracts List

Updated 7-17-15

Plan Name	Products/Network/Payor Name	Website	Plan Type	HOSPITALS: Saint Thomas West Hospital	Saint Thomas Midtown Hospital	Saint Thomas Rutherford Hospital	Saint Thomas Hickman Hospital	Saint Thomas Hosital for Spinal Surgery
Aetna / USHealthcare		www.aetna.com						
	Aetna HMO (Includes QPOS and US Access), Elect Choice (EPO), Managed Choice POS, Open Choice PPO, Quality Point of Service (QPOS), US Access, National Advantage Plan, Aetna Select, Open Access Aetna Select, Aetna Open Access HMO, Aetna Open Access Elect Choice (only in CA, NY, TX, WA), Aetna Choice POS, Aetna Choice POS II, Aetna Open Access Managed Choice, Open Choice PPO, Traditional Choice, Aetna Affordable Health Choices PPO		HMO, EPO, POS, PPO, HMO/POS	X (Not in-network with Aetna Behavioral Health Network)	X	X	X	X
	Aetna Medicare Advantage - STH is NOT in this network							
Alive Hospice	Alive Hospice	http://www.alivehospice.org/	Hospice	X	X	X	X	N/A
AMERIGROUP Community Care								
	AMERIGROUP Community Care	www.myamerigroup.com/	TennCare HMO	X (In Network for Behavioral Health)	X	X	X	X
	AMERIVANTAGE Medicare Advantage (Includes Dual Eligible Special Needs Plan - SNP)	https://www.myamerigroup.com/English/Medicare/2009/TN/Pages/CountyPlanSelect.aspx	Medicare Advantage	X (In Network for Behavioral Health)	X	X	X	X
Avalon Hospice (formerly Trinity Hospice)	Trinity Hospice	www.avalon-hospice.com/	Hospice (Inpatient services for Medicare and TennCare Patients)	X	X	X	X	N/A

				HOSPITALS				
Plan Name	Products/Network/Payor Name	Website	Plan Type	Saint Thomas West Hospital	Saint Thomas Midtown Hospital	Saint Thomas Rutherford Hospital	Saint Thomas Hickman Hospital	Saint Thomas Hosital for Spinal Surgery
BC/BS of TN (BCBST)		www.bcbst.com						
	BlueAdvantage Local PPO and Regional PPO		Medicare Advantage	X (Not in-network for Behavioral Health. BCBST uses Magellan.)	X	X	X	X
	D-SNP (Medicare Advantage Plan Dual Eligible Special Needs Plan) (Effective 1/1/14)		D-SNP (Dual Eligible Medicare / Medicaid)	X	X	X	X	X
	BlueCoverTN / Blue Network V (Terminated effective 1/1/14. Expect to be back in network mid-2015)		PPO	**All cases need to be approved for out of network authorization**				
	Access TN (uses TennCare Select Network) *Effective October 31, 2013, no new applications will be accepted. For current members with incomes above 100 percent of the federal poverty level and/or members who do not currently receive premium assistance, coverage will end April 30, 2014.*		PPO	**All cases need to be approved for out of network authorization**				
	Cover Kids (uses TennCare Select Network as of 10/1/13) (Will gradually phase out pregnant members during 2014 until the baby is born and 60 days after delivery. Newborn will not receive benefits)		PPO	**All cases need to be approved for out of network authorization**				
	Blue Preferred / Network P (includes Suitcase PPO Program/ BlueCard and Federal Employees Standard Option and Basic Option Programs)		PPO	X (Not in-network for Behavioral Health. BCBST uses Magellan. EXCEPTION: STHS Employees and Dependents who are covered under the STHS plan are in-network)	X	X	X	X
	Blue Select / Network S (Includes Suitcase PPO Program/BlueCard)		PPO	X (Not in-network for Behavioral Health. BCBST uses Magellan.)	X	X	X	X
	Network E (uses Mission Point Health Partners Narrow Network as well as Exchange through Network P and S) - Includes Bronze, Silver and Gold		Health Insurance Exchange / Marketplace	X	X	X	X	X
	Network M (Mission Point Health Partners network for Self-Insured Accounts, including STHe employees)		ACO/Self-Insured	X	X	X	X	X
Bluegrass Family Health	Bluegrass Family Health	www.bgfh.com	HMO, PPO, POS, Consumer Directed Health, including HRA and HSA, Self Insured / TPA, Network Leasing	X (Behavioral Health is specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X
Caris Healthcare	Caris Healthcare	www.carishealth.com	Hospice	N/A	N/A	X	N/A	N/A

				HOSPITALS				
Plan Name	Products/Network/Payor Name	Website	Plan Type	Saint Thomas West Hospital	Saint Thomas Midtown Hospital	Saint Thomas Rutherford Hospital	Saint Thomas Hickman Hospital	Saint Thomas Hosital for Spinal Surgery
CenterCare Managed Care Programs	Center Care	www.centercare.com	PPO, POS	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X
Cigna Healthplan		www.cigna.com						
	Cigna Healthplan PPO (Includes Gatekeeper POS, HMO Fully Insured, Open Access Plus and Network, Starbridge Choice, Great West PPO HMO and POS		PPO, HMO, POS, Open Access	X (Not in-network with Cigna Behavioral Health)	X	X	X	X
	STH NOT IN CIGNA LOCAL PLUS NETWORK		PPO / Exchange					
Community Health Plan (fka Americhoice)	Community Health Plan , fka AmeriChoice (aka United HealthCare Plan of the River Valley, Inc.) (Includes Dual Eligible Special Needs Plan - SNP)	www.americhoice.com	TennCare HMO	X (Not in-network for Behavioral Health)	X	X	X	X
CorVel Corporation	CorCare	www.corvel.com/	WC	N/A	X	X	X	X
Coventry Health Care (formerly First Health Direct)	Coventry Health Care (formerly First Health Direct) (As of 1/1/07, this replaced the First Health Direct business. It is the directly administered commercial business	coventryhealthcare.com	PPO	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X
Division of Rehabilitation Services	Division of Rehabilitation Services	http://www.tn.gov/humanserv/rehab/rehab_main.html	Direct	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	N/A	N/A
FOCUS Healthcare Management *(a wholly owned susidary of Concentra)*	FOCUS	http://www.focusedhealth.com/	WC	N/A	X	N/A	X	N/A
HealthSpring (fka Healthnet Management Co.)	HealthSpring Medicare Advantage	www.healthspring.com	Medicare Advantage	X (In-network for Behavioral Health)	X	X	X	X
Humana Health Care Plans		www.humana.com						
	Humana HMO, POS, PPO (Including Choice Care) (Includes CHA Prime Network for fully insured HMO, POS and PPO as of 1/1/2009)		HMO, POS PPO	X (Not in network. Humana uses CorpHealth)	X	X	X	X
	HumanaChoice PPO and Humana Gold Plus HMO		Medicare Advantage (Contracted)	X (Not in network. Humana uses CorpHealth)	X	X	X	X
	Humana Gold Choice Medicare Advantage PFFS *(No provider networks or contracts. Members can visit any doctor, specialist or facilitywho accepts Medicare and Humana's terms)*		Medicare Private Fee For Service	X (In-network for Behavioral Health)	X	X	X	X
	STH NOT IN HUMANA CHOICE POS (CPOS)		POS / exchange					
KY Medicaid	All KY Medicaid now goes through MCOs: WellCare of Kentucky, Coventry Cares of Kentucky, Humana Care Source,and Passport Health Plan. (In network for KY Medicaid but not for the MCOs. **For services to be covered/paid, requires Out of Network Approval for any services for MCO Members)**	http://chfs.ky.gov/dms	Medicaid	**All cases need to be approved for out of network authorization**				

				HOSPITALS				
Plan Name	Products/Network/Payor Name	Website	Plan Type	Saint Thomas West Hospital	Saint Thomas Midtown Hospital	Saint Thomas Rutherford Hospital	Saint Thomas Hickman Hospital	Saint Thomas Hosital for Spinal Surgery
Kentucky Health Cooperative	Kentucky ACO for the Exchange that utilizes Coventry's commercial network which allows our facilities as a Par provider through our Coventry contracts.		Kentucky exchange product	X	X	X	X	X

				HOSPITALS				
Plan Name	Products/Network/Payor Name	Website	Plan Type	Saint Thomas West Hospital	Saint Thomas Midtown Hospital	Saint Thomas Rutherford Hospital	Saint Thomas Hickman Hospital	Saint Thomas Hosital for Spinal Surgery
Mission Point Health Partners								
	Network E (Mission Point Health Partners Narrow Network)		Health Insurance Exchange / Marketplace	X	X	X	X	X
	Network M (Mission Point Health Partners network for Self-Insured Accounts, including STHe employees)		ACO/Self-Insured	X	X	X	X	X
MultiPlan (includes BCE Emergis / ProAmerica) *(MultiPlan purchased PHCS and Beechstreet/Viant. Networks will remain seperate until further notice)*	MultiPlan, BCE Emergis, ProAmerica, Up and Up, Formost	www.multiplan.com	PPO	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X
National Rural Electric Cooperative Association Group	National Rural Electric Cooperative Association Group	http://www.nreca.org/PublicPolicy/CooperativeBusinessIssues/EmployeeBenefits.htm	Direct	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	N/A	N/A	N/A	N/A
Nexcaliber (fka Associated Administrators Group, Inc. (AAGI))	Nexcaliber (fka Associated Administrators Group, Inc. (AAGI))	www.nexcaliber.com	PPO	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	N/A	N/A	N/A	N/A
NovaNet	Nova Net	www.novanet.com	PPO	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X
OccuComp *(*Only STHS Outpatient Rehabilitiation Services)*	OccuComp	www.occucomp.com	WC	* (Only Outpatient Rehab Services)	* (Only Outpatient Rehab Services)	* (Only Outpatient Rehab Services)	N/A	N/A
Odyssey Healthcare	Odyssey Healthcare	http://www.odsyhealth.com/	Hospice (Inpatient services for Medicare and TennCare Patients)	X	X	X	N/A	N/A
Prime Health (formerly known as Comp Plus)		primehealthservices.com						
	Prime Health (formerly known as CompPlus)							X
	Workers Compensation		WC	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X

				HOSPITALS				
Plan Name	Products/Network/Payor Name	Website	Plan Type	Saint Thomas West Hospital	Saint Thomas Midtown Hospital	Saint Thomas Rutherford Hospital	Saint Thomas Hickman Hospital	Saint Thomas Hosital for Spinal Surgery
	Tier I Commmercial		PPO	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X
	Tier II Commercial		PPO	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X
Private Healthcare Systems, Ltd. *(Purchased by MultiPlan. Networks will remain separate until further notice)*	Private Healthcare Systems (PHCS)	www.phcs.com	PPO & PPO/POS	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X
TriCare for Life *(No contract required)*	TriCare for Life		Medicare Supplement for retired military	X (in-network for Behavioral Health)	X	X	X	X
TRICARE North (HealthNet Federal Services)	TRICARE Standard, TRICARE Prime, TRICARE Prime Remote, TRICARE Extra, TRICARE Reserve Select		TRICARE	X (in-network for Behavioral Health)	X	X	X	N/A
TRICARE South (Humana Military)	TRICARE Standard, TRICARE Prime, TRICARE Prime Remote, TRICARE Extra, TRICARE Reserve Select		TRICARE	X (in-network for Behavioral Health)	X	X	X	X
United Behavioral Health (UBH)	United Behavioral Health (currently used by United Healthcare)		Behavioral Health Network	X (in-network for Behavioral Health for geriatric services)	N/A	N/A	N/A	N/A
United Healthcare	United Healthcare: Choice PPO, Choice Plus PPO, Select POS, Select Plus POS, Options PPO, Definity HRAs and HSAs and GEHA		HMO, PPO, POS	X (in-network for Behavioral Health for geriatric services)	X	X	X	X
	Secure Horizons (fka United Healthcare Medicare Complete)		Medicare Advantage	X (in-network for Behavioral Health for geriatric services)	X	X	X	X
USA Managed Care Organization								
	PPO: Includes USA H&W and USA WIN (PPO includes Tennessee Healthcare Group Health)		PPO	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X

				HOSPITALS				
Plan Name	Products/Network/Payor Name	Website	Plan Type	Saint Thomas West Hospital	Saint Thomas Midtown Hospital	Saint Thomas Rutherford Hospital	Saint Thomas Hickman Hospital	Saint Thomas Hosital for Spinal Surgery
	EPO: Includes USA SPAA and USA WIN SPAA (EPO includes Tennessee Healthcare Work Comp) (As of 9/20/2006, Tennessee Healthcare began accessing USA MCO with the exception of State of TN Public Employees (Work Comp) which will remain with Prime Health through 2007)		EPO	X (Behavioral Health is not specifically excluded from participation. Coverage / network may vary by employer)	X	X	X	X
VHAN (Vanderbilt Health Affiliated Networks	Vanderbilt Health Affiliated Networks	http://hr.vanderbilt.edu/benefits/vanderbilt-affiliates/	PPO	N/A	X	X	N/A	N/A
Wellcare (fka Windsor HealthCare)	Windsor HealthCare Medicare Advantage		Medicare Advantage	X (Behavioral Health. Contracted directly with Windsor.)	X	X	X	X

Attachment B.II.E.1

Service Contract

Support Summary

GE Healthcare

AGREEMENT# ___... **BILLING ACCOUNT#** 303294 **QUOTE#** 031215NVV1

Customer Information: Name: HOWELL ALLEN CLINIC
Address: 2011 MURPHY AVE STE 301
City: NASHVILLE State: TN Zip: 37203

Is the above address the correct billing address for this Agreement? ☐ Yes ☐ No If no, please provide the correct billing address below:

Customer Billing Information: Name: ____
Address: ____
City: ____ State: ____ Zip: ____

Please provide the contact name and email address of the following person(s):

	Contact Name:	Email address:
1. To be notified when this Agreement is processed:		
2. To receive all invoices electronically via email:	christy ebert	cebert@howellallen.com

The support and prices set forth below are valid provided the Customer signs and returns this Support Summary to GE Healthcare by 3/12/2015.

TERM: The term of this Agreement is 60 months, commencing on the LATER OF: (a) **3/11/2015** (month/day/year) if Customer signs and returns this Agreement within fifteen (15) calendar days of the aforementioned date; or (b) the date of signature below if Customer does not sign and return this Agreement within fifteen (15) calendar days of the aforementioned date ("Commencement Date").

ANNUAL NORMAL FIXED CHARGES: See Schedule A for annual charges and start dates for each item of equipment. Charges are based on equipment inventory and coverage levels as of the Agreement start date and are subject to change to reflect inventory and coverage modifications, variable charges and other adjustments as specified in this Agreement.

PAYMENT PERIODS: Monthly - Advance Normal Fixed Charges are payable in advance in 61 installments as follows: **(1-1, $12,383.52), (2-6, $18,280.41), (7-7, $19,530.41), (8-60, $25,780.41), (61-61, $8,316.27) The following payments have non-date effective dates, and are NOT included in the previous payment stream: $350.00 Monthly - Advance, Effective at End of Warranty; $250.00 Monthly - Advance, Effective at End of Warranty**, plus applicable taxes and subject to adjustment as provided in the Agreement. The above is for illustrative purposes only and may change based upon additions or deletions to covered equipment inventory, inflation adjustments or other modifications permitted by this Agreement. You will be billed for Services beginning with the Commencement Date. Payment will be due the first of each month. If the Commencement Date is not the first of the month, the first and last payments will be prorated accordingly. This may increase the total number of installment payments by one (1), but will not increase the total Normal Fixed Charges.

EQUIPMENT COVERAGE: See Schedule(s) attached to this Support Summary for the description of the equipment, Service coverage and hours, and equipment-specific prices applicable to this Support Summary.

AGREEMENT: This Agreement (as defined below) is by and between the "Customer" and the GE Healthcare business ("GE Healthcare"), each as identified herein. "Agreement" is defined as the GE Healthcare (1) Support Summary, (2) Schedule(s) referred to herein that identifies the equipment as well as the Service offerings purchased by Customer, (3) the applicable Statement(s) of Service Deliverables for such Service offerings, (4) the Service Terms and Conditions and (5) the General Terms and Conditions. In the event of conflict among the foregoing items, the order of precedence is as listed above. This Agreement constitutes the complete and final agreement of the parties relating to GE Healthcare's delivery of the Services identified in this Support Summary. No agreement or understanding, oral or written, in any way purporting to modify this Agreement, whether contained in Customer's purchase order or other forms, or elsewhere, shall be binding unless hereafter agreed to in writing and signed by authorized representatives of both parties. By signing below, each party certifies that it has not made any handwritten modifications. Manual changes or mark-ups on this Agreement (except signatures in the signature blocks and providing information as requested in the highlighted areas of this Support Summary) will be void. This Agreement is not tied to an umbrella purchasing agreement or other group purchasing agreement unless expressly indicated.

Electronic Funds Transfer Authorized? ☐ Yes ☐ No

PAYMENT TERMS: Payment is due within thirty (30) days of invoice date.

PURCHASE ORDER: Is a purchase order required for proper payment of this Agreement? ☐ Yes ☐ No

PO# 031315IMGCDE (please attach copy) PO Expiration Date 3/17/15

Each party has caused this Agreement to be signed by its authorized representative on the date set forth below.

CUSTOMER	**GE HEALTHCARE**
Signature: Christy Ebert	Signature:
Print Name: christy ebert	Print Name:
Title: manager	Title:
Date: 3/13/15	Date:
	Prepared By:

GE Healthcare

These GE Healthcare General Terms and Conditions supplement and incorporate by reference the GE Healthcare Quotation that identifies the Product and/or Service offering purchased or licensed by Customer and the following documents, as applicable, if attached to or referenced in the Quotation: the GE Healthcare (i) Warranty(ies); (ii) Additional Terms and Conditions or Statement of Service Deliverables and Product Schedule; and (iii) Product or Service Terms and Conditions, (collectively, referred to as the "Agreement").
References herein to "Products" and "Services" mean the Products (including equipment and software) and Services identified on the applicable GE Healthcare Quotation. References herein to "Healthcare IT Products" are (i) those software products identified in the Quotation as a "Centricity" product, any third party software licensed for use in connection with the Centricity software, all hardware used to operate the Centricity or the third party software, and services provided with respect to the implementation, installation or support and maintenance of the Centricity or the third party software, and/or (ii) any software, product or service that is included in a Quotation which Quotation is designated as an "Healthcare IT Quotation".

1. General Terms.

1.1. Confidentiality. Each party will treat the terms of this Agreement and the other party's written, proprietary business information as confidential if marked as confidential or proprietary. Customer will treat GE Healthcare's (and GE Healthcare's third party vendors') software and technical information as confidential information whether or not marked as confidential and shall not use or disclose to any third parties any such confidential information except as specifically permitted in this Agreement or as required by law (with reasonable prior notice to GE Healthcare) or as is required by the U.S. Federal government in its capacity as a customer. The receiving party shall have no obligation with respect to any information which (i) is or becomes within the public domain through no act of the receiving party in breach of this Agreement, (ii) was in the possession of the receiving party prior to its disclosure or transfer and the receiving party can so prove; (iii) is independently developed by the receiving party and the receiving party can so prove, or (iv) is received from another source without any restriction on use or disclosure. GE Healthcare understands that Customer may be subject to State Open Records laws. Customer shall not be prohibited from complying with such Open Records laws if required to do so; however, Customer shall (a) promptly notify GE Healthcare in writing of any such Open Records laws requests, (b) give GE Healthcare sufficient time to challenge the request or redact any necessary information to the extent permitted by law, and (c) only provide such information as is necessary to comply with such Open Records laws.

1.2. Governing Law. The law of the State where the Product is installed or the Service is provided will govern this Agreement.

1.3. Force Majeure. Neither party is liable for delays or failures in performance (other than payment obligations) under this Agreement due to a cause beyond its reasonable control. In the event of such delay, the time for performance shall be extended as reasonably necessary to enable performance.

1.4. Assignment; Use of Subcontractors. Neither party may assign any of its rights or obligations under this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld; provided, however, that either party may transfer and assign this Agreement without the other party's consent to any person or entity (except to a GE Healthcare competitor) that is an affiliate of such party or that acquires substantially all of the stock or assets of such party's applicable business if any such assignee agrees, in writing, to be bound by the terms of this Agreement, including the payment of any existing or outstanding fees and invoices. Subject to such limitation, this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. This Agreement shall not be terminable in the event of any Customer stock or asset sale, merger, acquisition or change in control, unless otherwise expressly agreed to in writing by GE Healthcare. GE Healthcare may hire subcontractors to perform work under this Agreement (including, but not limited to, work that involves access to Protected Health Information as such term is defined in 45 C.F.R. § 160.103 ("PHI")), provided that GE Healthcare will at all times remain responsible for the performance of its obligations and duties under this Agreement.

1.5. Amendment; Waiver; Survival. This Agreement may be amended only in writing signed by both parties. Any failure to enforce any provision of this Agreement is not a waiver of that provision or of either party's right to later enforce each and every provision. The terms of this Agreement that by their nature are intended to survive its expiration (such as the confidentiality provisions included herein) will continue in full force and effect after its expiration.

1.6. Termination. If either party materially breaches this Agreement and the other party seeks to terminate this Agreement for such breach, such other party shall notify the breaching party in writing, setting out the breach, and the breaching party will have sixty (60) days following receipt of such notice to remedy the breach. If the breaching party fails to remedy the breach during that period, the other party may terminate this Agreement by written notice to the breaching party. If GE Healthcare determines in good faith at any time that there are material credit issues, with this Agreement, then GE Healthcare may terminate this Agreement (including warranty services hereunder) immediately upon written notice to Customer. For the avoidance of doubt, this Agreement is not terminable for convenience and may only be terminated in accordance with this Agreement.

1.7. Entire Agreement and Waiver of Reliance. This Agreement constitutes the complete and final agreement of the parties relating to the Products and/or Services identified in the Quotation. The parties agree that they have not relied, and are not relying, on any oral or written promises, terms, conditions, representations or warranties, express or implied, outside those expressly stated or incorporated by reference in this Agreement. No agreement or understanding, oral or written, in any way purporting to modify this Agreement, whether contained in Customer's purchase order or shipping release forms, or elsewhere, shall be binding unless hereafter agreed to in writing and signed by authorized representatives of both parties. Each party objects to any terms inconsistent with this Agreement proposed by either party unless agreed to in writing and signed by authorized representatives of both parties, and neither the subsequent lack of objection to any such terms, nor the delivery of the Products and/or Services, shall constitute an agreement by either party to any such terms. The parties agree that any provision in this Agreement in 'all caps' type satisfies any requirements at law or in equity that provisions be conspicuously marked.

2. Compliance.

2.1. Generally. Each party will comply with the requirements of Federal and State laws and regulations that are applicable to such party. This Agreement is subject to GE Healthcare's on-going determination that Customer and this Agreement comply with all applicable laws and regulations, including those relating to workplace safety, FDA matters, Federal Healthcare Program Anti-kickback compliance, export/import control and money laundering prevention. CUSTOMER ACKNOWLEDGES THAT THE PRODUCTS ARE OR MAY BE SUBJECT TO REGULATION BY THE FDA AND OTHER FEDERAL OR STATE AGENCIES. CUSTOMER SHALL NOT USE OR PERMIT THE PRODUCTS TO BE USED IN ANY MANNER THAT DOES NOT COMPLY WITH APPLICABLE FDA OR OTHER REGULATIONS OR FOR ANY NON-MEDICAL, ENTERTAINMENT, OR AMUSEMENT PURPOSES. Customer shall not use or permit the Product to be used or operated by any person who does not have sufficient knowledge to competently perform the required task and who is not fully trained on the operation of the Product. Customer is solely responsible for ensuring that Customer and its employees, licensed and unlicensed healthcare staff, representatives, agents and/or contractors who operate, maintain and/or have access to the Products and/or Services, excluding GE Healthcare employees, representatives, agents and/or contractors ("Customer Personnel") are properly trained and fully competent on the operation of the Product. Further, Customer represents that it is purchasing the Products for its own use consistent with the terms of this Agreement and that it does not intend to re-sell the Products to any other party or to export the Products outside the country to which GE Healthcare delivers the Products.

2.2. Cost Reporting. Customer represents and warrants that it shall comply with (a) the applicable requirements of the Discount Statutory Exception, 42 U.S.C. 1320a-7b(b)(3)(A), and the Discount Safe Harbor, 42 C.F.R. § 1001.952(h), with respect to any discounts Customer may receive under this Agreement and (b) the Warranties Safe Harbor, 42 C.F.R. § 1001.952(g), with respect to any price reductions of an item (including a free item) which were obtained as part of a warranty under this Agreement. Customer agrees that, if Customer is required to report its costs on a cost report, then (i) the discount must be based on purchases of the same good bought within a fiscal year; (ii) Customer must claim the benefit in the fiscal year in which the discount is earned or in the following year; (iii) Customer must fully and accurately report the discount in the applicable cost report; and (iv) Customer must provide, upon request, certain information required to be provided to Customer by GE Healthcare as a seller or offeror, as appropriate. If Customer is an individual or entity in whose name a claim or request for payment is submitted for the discounted items, the discount must be made at the time of the sale of the good; and Customer must provide, upon request, certain information required to be provided to Customer by GE Healthcare as a seller or offeror, as appropriate. GE Healthcare agrees to comply with the applicable requirements for sellers or offerors under the Discount Safe Harbor, as appropriate.

2.3. Network Security and Site Access Control. Customer shall be solely responsible for establishing and maintaining network security, virus protection, backup and disaster recovery plans for any data, images, software or equipment. GE Healthcare shall not be responsible for any recovery of lost data or images. Customer shall comply with all applicable laws and regulations related to site access control.

2.4. Environmental Health and Safety. GE Healthcare shall have no obligation to provide Products and/or perform Services until Customer (i) provides and maintains a suitable, safe and hazard-free location and environment for the GE Healthcare Products and personnel performing Services in material compliance with all applicable Federal, State, and local requirements, as well as any written requirements provided by GE Healthcare; (ii) performs GE Healthcare recommended routine maintenance and operator adjustments on the Product; and (iii) ensures that any service not provided by GE Healthcare is performed, and GE Healthcare Products are used, in accordance with applicable user documentation.

Customer shall provide written information to GE Healthcare personnel who will be present on Customer's site about Customer's safety procedures and practices as well as a list of any hazardous materials, such as asbestos, lead or mercury, on or near Customer's site that GE Healthcare personnel may come in contact with and any associated Safety Data Sheets. Customer shall be responsible for taking all necessary actions to properly abate, remove and/or remediate any hazardous conditions or materials, including removing blood, body fluids and other potentially infectious materials. GE Healthcare shall have no responsibility to abate, or liability for, any existing hazardous conditions at Customer site. Customer shall be responsible for proper management, storage and disposal of all service and/or installation-related waste, unless GE Healthcare is legally required to take back the materials (e.g., batteries, WEEE, packaging).

2.5. Parts Not Supplied By GE Healthcare. GE Healthcare recommends the use of parts that it has (i) validated through configuration and (ii) received from authorized suppliers. GE Healthcare is not responsible for the quality of parts supplied by third parties to Customer. GE Healthcare cannot assure Product functionality or performance when non-GE Healthcare parts are used on the Product.

2.6. Training. Any Product training identified in the Quotation shall be in accordance with GE Healthcare's then-current training offerings and terms. Customer agrees that completion of GE Healthcare's training offerings does not guarantee that Customer and Customer Personnel are fully and completely trained on the use, maintenance, and operation of the Product or that completion of GE Healthcare's training will satisfy any licensure and/or accreditation standards. Customer further agrees that it is Customer's sole and non-delegable duty to ensure that Customer and Customer Personnel are properly trained on and fully qualified in the use and operation of the Product. Unless otherwise stated in the training catalog description, training must be completed by Customer within twelve (12) months after (i) the date of Product delivery for training purchased with Products; (ii) the start date for Services for training purchased with Services; or (iii) the date Customer purchases training if such training is not purchased with Products and/or Services. If training is not completed within the applicable time period due to no fault of GE Healthcare, GE Healthcare's obligation to provide the training will expire without refund.

2.7. Medical Diagnosis and Treatment. All clinical and medical treatment and/or diagnostic decisions are the sole responsibility of Customer and Customer Personnel. Customer agrees that GE Healthcare is in no way responsible for the clinical and medical treatment and/or diagnostic decisions made by Customer and Customer Personnel.

2.8. Use of Data.

(a) Protected Health Information. To the extent GE Healthcare creates, receives, maintains, transmits or otherwise has access to any PHI in the course of performing under this Agreement, GE Healthcare shall only use and disclose such PHI as permitted by the administrative simplification section of the Health Insurance Portability and Accountability Act of 1996, Pub. Law 104-191 (August 21, 1996), its implementing regulations, and the Health Information Technology for Economic and Clinical Health ("HITECH") Act and its implementing regulations (collectively, "HIPAA"), and the applicable Business Associate Agreement between the Parties.

(b) Other Information. Customer agrees that GE Healthcare may also create, receive, maintain, transmit and otherwise have access to machine, technical, system, usage and related information that is not PHI, including, but not limited to, information about Customer's Product, Service, system and software, that is gathered periodically to facilitate the provision of Product support, consulting, training and other services to Customer (if any), and to verify compliance with the terms of this Agreement. GE Healthcare or its agents may use such information to provide, develop or improve GE Healthcare's products or services.

2.9. Compliance with Customer Policies. GE Healthcare will use commercially reasonable efforts to respect Customer policies to the extent that such policies apply to GE Healthcare under this Agreement, and do not materially contradict GE Healthcare policies, provided that Customer furnishes to GE Healthcare a complete copy of said policies prior to GE Healthcare's commencement of performance under this Agreement. Under no circumstances, however, will GE Healthcare's failure, or the failure of GE Healthcare's employees or contractors, to respect Customer policies constitute a material breach by GE Healthcare under this Agreement, unless such failure is willful and materially and adversely affects GE Healthcare's ability to perform its obligations under this Agreement.

2.10. Insurance. GE Healthcare shall maintain insurance coverage in accordance with its standard certificate of insurance, a copy of which is available upon Customer's request.

2.11. Excluded Provider. GE Healthcare represents that, to its knowledge, neither it nor its employees performing services under this Agreement have been excluded from participation in any Federal Healthcare Program. In the event an employee performing services under this Agreement is excluded, GE Healthcare will replace such employee within a commercially reasonable time. In the event GE Healthcare is excluded, Customer may terminate this Agreement upon written notice to GE Healthcare.

3. Disputes; Liability; and Indemnity.

3.1. Waiver of Jury Trial. UNLESS OTHERWISE EXPRESSLY PROHIBITED BY APPLICABLE LAW, EACH PARTY EXPRESSLY WAIVES ALL RIGHTS TO A JURY TRIAL IN CONNECTION WITH ANY DISPUTE ARISING UNDER THIS AGREEMENT.

3.2. Limitation of Liability. GE HEALTHCARE'S ENTIRE LIABILITY AND CUSTOMER'S EXCLUSIVE REMEDY FOR ANY DIRECT DAMAGES INCURRED BY CUSTOMER FROM ANY CAUSE, REGARDLESS OF THE FORM OF ACTION, WHETHER IN AN ACTION IN CONTRACT, TORT, PRODUCT LIABILITY, STATUTE, EQUITY OR OTHERWISE, ARISING UNDER THIS AGREEMENT OR RELATED HERETO, SHALL NOT EXCEED: (A) FOR PRODUCTS OR SERVICES, OTHER THAN SERVICES UNDER AN ANNUAL SERVICE CONTRACT, THE PRICE FOR THE PRODUCT OR SERVICE THAT IS THE BASIS FOR THE CLAIM; OR (B) FOR ANNUAL SERVICE CONTRACTS, THE ANNUAL CONTRACT PRICE FOR THE SERVICE THAT IS THE BASIS FOR THE CLAIM. THE FOREGOING LIMITATION OF LIABILITY SHALL NOT APPLY TO GE HEALTHCARE'S DUTIES TO INDEMNIFY CUSTOMER IN ACCORDANCE WITH THIS AGREEMENT. THE LIMITATION OF LIABILITY SHALL APPLY EVEN IF THE LIMITED REMEDIES FAIL OF THEIR ESSENTIAL PURPOSE.

3.3. Exclusion of Damages. NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY UNDER THIS AGREEMENT (OR OTHERWISE IN CONNECTION WITH THE PRODUCTS AND SERVICES) FOR ANY INDIRECT, SPECIAL, PUNITIVE, INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR FOR LOSS OF PROFITS, REVENUE, TIME, OPPORTUNITY OR DATA, WHETHER IN AN ACTION IN CONTRACT, TORT, PRODUCT LIABILITY, STATUTE, EQUITY OR OTHERWISE. THE EXCLUSION OF DAMAGES SHALL APPLY EVEN IF THE LIMITED REMEDIES FAIL OF THEIR ESSENTIAL PURPOSE.

3.4. IP Indemnification. GE HEALTHCARE WILL DEFEND, INDEMNIFY AND HOLD HARMLESS CUSTOMER FROM ANY THIRD PARTY CLAIMS FOR INFRINGEMENT OF UNITED STATES INTELLECTUAL PROPERTY RIGHTS ARISING FROM CUSTOMER'S USE OF GE HEALTHCARE MANUFACTURED EQUIPMENT AND/OR GE HEALTHCARE PROPRIETARY SOFTWARE LISTED IN THE QUOTATION (COLLECTIVELY, "INFRINGING PRODUCT") IN ACCORDANCE WITH THEIR SPECIFICATIONS AND WITHIN THE LICENSE SCOPE GRANTED IN THIS AGREEMENT. IF ANY SUCH CLAIM MATERIALLY INTERFERES WITH CUSTOMER'S USE OF SUCH EQUIPMENT AND/OR SOFTWARE, GE HEALTHCARE SHALL, AT ITS OPTION: (I) SUBSTITUTE FUNCTIONALLY EQUIVALENT NON-INFRINGING PRODUCTS; (II) MODIFY THE INFRINGING PRODUCT SO THAT IT NO LONGER INFRINGES BUT REMAINS FUNCTIONALLY EQUIVALENT; (III) OBTAIN FOR CUSTOMER AT GE HEALTHCARE'S EXPENSE THE RIGHT TO CONTINUE TO USE THE INFRINGING PRODUCT; OR (IV) IF THE FOREGOING ARE NOT COMMERCIALLY REASONABLE, REFUND TO CUSTOMER THE PURCHASE PRICE, AS DEPRECIATED (BASED ON FIVE (5) YEAR STRAIGHT-LINE DEPRECIATION), FOR THE INFRINGING PRODUCT. ANY SUCH CLAIMS ARISING FROM CUSTOMER'S USE OF SUCH INFRINGING PRODUCT AFTER GE HEALTHCARE HAS NOTIFIED CUSTOMER TO DISCONTINUE USE OF SUCH INFRINGING PRODUCT AND OFFERED ONE OF THE REMEDIES SET FORTH IN CLAUSES (I) THROUGH (IV) ABOVE ARE THE SOLE RESPONSIBILITY OF CUSTOMER. THIS SECTION REPRESENTS CUSTOMER'S SOLE AND EXCLUSIVE REMEDY (AND GE HEALTHCARE'S SOLE AND EXCLUSIVE LIABILITY) REGARDING ANY INFRINGEMENT CLAIM ASSOCIATED WITH SUCH INFRINGING PRODUCT. THE ABOVE INDEMNIFICATION OBLIGATION IS CONDITIONAL UPON CUSTOMER PROVIDING GE HEALTHCARE PROMPT WRITTEN NOTICE OF THE INFRINGEMENT CLAIM AFTER RECEIVING NOTICE OF SUCH CLAIM, ALLOWING GE HEALTHCARE TO CONTROL THE DEFENSE OF SUCH CLAIM, AND REASONABLY COOPERATING WITH GE HEALTHCARE IN SUCH DEFENSE. GE HEALTHCARE'S RIGHT TO CONTROL THE DEFENSE AND DISPOSITION OF THE INFRINGEMENT CLAIM SHALL INCLUDE THE RIGHT TO SELECT COUNSEL TO REPRESENT CUSTOMER AT GE HEALTHCARE'S EXPENSE; PROVIDED, HOWEVER, THAT CUSTOMER MAY RETAIN ADDITIONAL COUNSEL AT CUSTOMER'S EXPENSE. ANY EXPENSES, INCLUDING LEGAL FEES AND COSTS, INCURRED BY CUSTOMER PRIOR TO TENDERING CONTROL OF THE DEFENSE TO GE HEALTHCARE SHALL NOT BE REIMBURSABLE BY GE HEALTHCARE. NOTWITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT, GE HEALTHCARE SHALL NOT HAVE ANY OBLIGATION TO CUSTOMER HEREUNDER FOR INFRINGEMENT CLAIMS BASED ON OR RESULTING FROM: (A) USE OF SUCH INFRINGING PRODUCT IN COMBINATION WITH ANY COMPUTER SOFTWARE, TOOLS, HARDWARE, EQUIPMENT, MATERIALS, OR SERVICES, NOT FURNISHED OR AUTHORIZED IN WRITING FOR USE BY GE HEALTHCARE; (B) USE OF SUCH INFRINGING PRODUCT IN A MANNER OR ENVIRONMENT OR FOR ANY PURPOSE FOR WHICH GE HEALTHCARE DID NOT DESIGN OR LICENSE IT, OR IN VIOLATION OF GE HEALTHCARE'S USE INSTRUCTIONS; OR (C) ANY MODIFICATION OF SUCH INFRINGING PRODUCT BY CUSTOMER OR ANY THIRD PARTY. GE HEALTHCARE SHALL NOT BE RESPONSIBLE FOR ANY COMPROMISE OR SETTLEMENT OR CLAIM MADE BY CUSTOMER WITHOUT GE HEALTHCARE'S WRITTEN CONSENT. THIS INDEMNIFICATION OBLIGATION IS EXPRESSLY LIMITED TO THE GE HEALTHCARE MANUFACTURED EQUIPMENT AND/OR GE HEALTHCARE PROPRIETARY SOFTWARE LISTED IN THE QUOTATION.

3.5. General Indemnification. GE HEALTHCARE AGREES TO RELEASE, INDEMNIFY AND HOLD CUSTOMER HARMLESS FOR ANY THIRD PARTY DAMAGES CUSTOMER BECOMES LEGALLY OBLIGATED TO PAY RELATED TO BODILY INJURY OR DAMAGE TO REAL PROPERTY OR TANGIBLE PERSONAL PROPERTY TO THE EXTENT THAT SUCH DAMAGES ARE DETERMINED TO BE PROXIMATELY CAUSED BY A MANUFACTURING DEFECT, DESIGN DEFECT, NEGLIGENT FAILURE TO WARN,

NEGLIGENT INSTALLATION, OR NEGLIGENT SERVICE WITH RESPECT TO PRODUCTS DESIGNED AND MANUFACTURED BY GE HEALTHCARE AND SUPPLIED TO CUSTOMER UNDER THIS AGREEMENT. GE HEALTHCARE SHALL HAVE NO OBLIGATION TO RELEASE, INDEMNIFY AND HOLD CUSTOMER HARMLESS FOR ANY DAMAGES CAUSED BY (I) CUSTOMER'S FAULT OR ANY LEGAL EXPENSES INCURRED BY CUSTOMER IN DEFENDING ITSELF AGAINST SUITS SEEKING DAMAGES CAUSED BY CUSTOMER'S FAULT AND/OR (II) ANY MODIFICATION, CHANGES AND/OR ALTERATIONS TO THE GE HEALTHCARE PRODUCT BY CUSTOMER OR A THIRD PARTY NOT AUTHORIZED OR APPROVED IN WRITING BY GE HEALTHCARE.

CUSTOMER AGREES TO RELEASE, INDEMNIFY AND HOLD GE HEALTHCARE HARMLESS FROM ANY THIRD PARTY DAMAGES THAT GE HEALTHCARE BECOMES LEGALLY OBLIGATED TO PAY RELATED TO BODILY INJURY OR DAMAGE TO REAL PROPERTY OR TANGIBLE PERSONAL PROPERTY TO THE EXTENT THAT SUCH DAMAGES ARE DETERMINED TO BE PROXIMATELY CAUSED BY CUSTOMER'S AND/OR CUSTOMER PERSONNEL (I) MEDICAL DIAGNOSIS OR TREATMENT DECISIONS; (II) MISUSE OR NEGLIGENT USE OF THE PRODUCT; AND/OR (III) USE OF THE PRODUCT IN A MANNER OR ENVIRONMENT, OR FOR ANY PURPOSE, FOR WHICH GE HEALTHCARE DID NOT DESIGN IT, OR IN VIOLATION OF GE HEALTHCARE'S RECOMMENDATIONS OR INSTRUCTIONS ON USE.

THE INDEMNIFICATION OBLIGATIONS SET FORTH IN THIS SECTION 3.5 ARE CONDITIONAL UPON THE INDEMNIFIED PARTY PROVIDING THE INDEMNIFYING PARTY PROMPT WRITTEN NOTICE OF THE THIRD-PARTY CLAIM AFTER RECEIPT OF NOTICE OF SUCH CLAIM, ALLOWING THE INDEMNIFYING PARTY TO CONTROL THE DEFENSE AND DISPOSITION OF SUCH CLAIM, AND REASONABLY COOPERATING WITH THE INDEMNIFYING PARTY IN THE DEFENSE. THE INDEMNIFYING PARTY SHALL NOT BE RESPONSIBLE FOR ANY COMPROMISE MADE BY THE INDEMNIFIED PARTY OR ITS AGENTS WITHOUT THE INDEMNIFYING PARTY'S CONSENT.

4. Payment and Finance.

4.1. Generally. The payment and billing terms for the Product(s) and/or Service(s) are stated in the Quotation.

4.2. Late Payment. Failure to make timely payment is a material breach of this Agreement, for which (in addition to other available remedies) GE Healthcare may suspend performance under the GE Healthcare agreement at issue or suspend the provision of support and maintenance or licenses for the Product(s) licensed or sold under that agreement until all past due amounts are brought current. If GE Healthcare so suspends, GE Healthcare will not be responsible for the completion of planned maintenance due to be performed during the suspension period and any product downtime will not be included in the calculation of any uptime commitment. Interest shall accrue on past-due amounts at a rate equal to the lesser of one-and-one-half percent (1.5%) per month or the maximum rate permitted by applicable law. Customer will reimburse GE Healthcare for reasonable costs (including attorneys' fees) relating to collection of past due amounts. Any credits and/or unapplied cash that may be due to Customer under an agreement may be applied first to any outstanding balance. If Customer has a good faith dispute regarding payment for a particular Product (or subsystem thereof) or Service, Customer shall notify GE Healthcare in writing of such dispute within twenty (20) days of the invoice date and shall work with GE Healthcare in good faith to promptly resolve such dispute. GE Healthcare may revoke credit extended to Customer and designate Customer and all agreements with Customer to be on credit hold because of Customer's failure to pay for any Products or Services when due, and in such event all subsequent shipments and Services shall be paid in full on receipt.

4.3. Taxes. Prices do not include sales, use, gross receipts, excise, valued-added, services, or any similar transaction or consumption taxes ("Taxes"). Customer shall be responsible for the payment of any such Taxes to GE Healthcare unless it otherwise timely provides GE Healthcare with a valid exemption certificate or direct pay permit. In the event GE Healthcare is assessed Taxes, interest or penalty by any taxing authority, Customer shall reimburse GE Healthcare for any such Taxes, including any interest or penalty assessed thereon. Each party is responsible for any personal property or real estate taxes on property that the party owns or leases, for franchise and privilege taxes on its business, and for taxes based on its net income or gross receipts.

5. Loaner Systems. If GE Healthcare provides a loaner system ("Loaner") to Customer pursuant to the terms of this Agreement, such Loaner shall be subject to the following provisions: (i) the Loaner shall be for Customer's temporary use, and Customer agrees to keep the Loaner at the location identified in the Quotation, and shall not move the Loaner to another location without GE Healthcare's prior written consent; (ii) Customer agrees to return the Loaner to GE Healthcare on or before the date on which GE Healthcare returns Customer's Product to Customer, and if Customer does not return the Loaner within such time period, GE Healthcare may repossess the Loaner with ten (10) days prior written notice or invoice Customer for the full list price of the Loaner; (iii) the Loaner, and all programs, information, data, business information, or other information pertaining to such Loaner shall remain GE Healthcare property; (iv) title remains with GE Healthcare, but risk of loss passes to Customer upon delivery of the Loaner; (v) Customer agrees to maintain the Loaner in proper operating condition and in accordance with GE Healthcare's operating instructions and return it to GE Healthcare in this condition, normal wear and tear excepted; (vi) Customer will not repair, or permit others to repair, the Loaner without the prior written consent of GE Healthcare; (vii) Customer agrees to furnish GE Healthcare reasonable access to the Loaner with prior notification; (viii) as Customer does not own the Loaner and is not paying GE Healthcare for its use, it is Customer's responsibility to ensure that any charge or claim submitted by Customer to a government healthcare program or patient is submitted accordingly; (ix) prior to returning the Loaner to GE Healthcare, Customer shall ensure the complete deletion of any and all information, including PHI, that may have been stored in the Loaner, or any of its accessories; (x) such deletion shall be completed in accordance with any user instructions provided by GE Healthcare and/or industry standards; (xi) in the event Customer is unable for technical reasons to complete the deletion, Customer shall provide immediate notice of this to GE Healthcare, and GE Healthcare staff shall use commercially reasonable efforts to facilitate the deletion of information; (xii) Customer agrees to indemnify GE Healthcare for any loss whatsoever resulting from any information that is not removed from the Loaner and GE Healthcare shall have no obligations whatsoever in connection with any information that is not properly removed from such Loaner by Customer. It is within GE Healthcare's sole discretion to provide Customer with a Loaner while warranty or Service repairs are ongoing. This provision is not applicable to GE Healthcare IT Products.

GE Healthcare

Statement of Service Deliverables
Full Service Options

This GE Healthcare Statement of Service Deliverables Full Service Options supplements and incorporates by reference the GE Healthcare (i) Quotation that identifies the Service offering purchased by Customer; (ii) Product Schedule ("Schedule"); (iii) Service Terms and Conditions and (iv) General Terms and Conditions, (collectively, referred to as the "Agreement" or "Service Agreement"). This Statement of Service Deliverables applies to the following GE Healthcare AssurePoint / AP service offerings: Standard, Rapid, PM, Limited, Select, Performance, and Advance.

	Standard	Rapid	PM	Limited	Select	Performance	Advance
Corrective Maintenance	•	•		°	°	•	•
Planned Maintenance	•	•	•	•	•	•	•
Replacement Parts	•	•	•	•	•	•	•
Software Updates	•	•	•	•	•	•	•
Phone Clinical Applications Support	•	•		•	•	•	•
TiP Options	°	°		°	°	°	°
Remote Diagnostic Service * # (InSite, iLinq, iCenter)	°	°	°	°	°	°	°
Uptime Performance	°	°				°	°
Specialty Component Options # (Complete, Reserve, Pro, GlassPro)	°	°	°	°	°	°	°
No Charge Special Parts Handling		°					
Quality Assurance Activities						°	°
Continuum/Refresh Options #							°

• Included (to the extent provided herein) ° Optional (if available/indicated on a Schedule)

* Requires Connectivity # See supplemental terms of offering

1. **Corrective Maintenance.** GE Healthcare or its agents will use commercially reasonable efforts to resolve any verifiable and reproducible service issue related to the Products (defined as the Product not substantially meeting the specifications set forth by the original equipment manufacturer ("OEM")) in a reasonable period of time after notification by Customer, whether through remote or on-site services. Phone technical support is available 24 hours per day, 7 days per week (excluding GE Healthcare holidays, extent of phone support may differ by product type). On-site support is as listed in a Schedule (if not listed, 8am-5pm local time). GE Healthcare will use reasonable efforts to meet the response time for on-site support as stated in a Schedule. Corrective maintenance outside of coverage hours, on GE Healthcare holidays, or expedited beyond the stated response times (at Customer's request) will be billed at GE Healthcare's then-current rate. Corrective maintenance includes all Replacement Parts necessary to perform the required corrective maintenance services (subject to availability).

- AP PM Only: Corrective Maintenance excluded, but includes the phone technical support noted above for anesthesia, anesthesia patient monitoring, respiratory, ventilators, and maternal/infant care Products.

- AP Limited and AP Select Only: GE Healthcare or its agents will provide a limited number of corrective maintenance service events based on the number of service events purchased and listed in a Schedule. Each Customer call/request for corrective maintenance service will be applied to the limited corrective maintenance service events, unless Customer notifies GE Healthcare of its request to purchase such service separately at GE Healthcare's then current rates at the time Customer contacts GE Healthcare for such service.

2. **Planned Maintenance.** GE Healthcare or its agents will provide planned maintenance service ("PM") pursuant to OEM recommended frequencies and specifications as set forth in the applicable service manuals. PM's will be performed at mutually agreed upon times during PM coverage hours (excluding weekends and GE Healthcare holidays unless otherwise specified) as stated in a Schedule. PM includes all Replacement Parts necessary to perform the required PM (subject to availability).

3. **Replacement Parts.** "Replacement Parts" means the lowest level component repair part available that will bring the Product to OEM specifications. GE Healthcare will only provide subassemblies or assemblies if a lower level replacement part is not available. Replacement Parts may be provided on a new or exchange (refurbished) basis, at GE Healthcare's sole discretion. In the event an exchange part is provided to Customer, the replaced part will become GE Healthcare property and will be removed from Customer site by GE Healthcare or Customer must return the part to GE Healthcare within a reasonable time frame. Replacement Parts are shipped freight included (excluding "Special Order" parts, which are those parts not stocked by GE Healthcare due to low demand). If Replacement Part delivery priority is indicated on Schedule, it will be subject to shipment cut-off times for the applicable distribution center. Expedited parts delivery is available upon request for an additional fee.

4. **Software Updates and Upgrades.** Software updates consist of any error correction or modification to GE Healthcare Products that maintain existing software features and functionality made generally available to GE Healthcare's installed customer base. Software updates may be installed during PM's, or as otherwise agreed to by the parties. Software updates do not include any separately licensed software modules which provide additional functionality related to an application or feature for the hardware or software. Software upgrades are not included, which consist of any revisions or enhancements of the GE Healthcare software by GE Healthcare that improve or expand existing software features or functionality that are generally made available for purchase. Additional hardware and/or software (including upgrades to third party software or operating system software) required for Software updates or Software upgrades, training, project management, and integration services related to the Software updates and Software upgrades are excluded.

5. **Phone Clinical Applications Support.**

- All Products. GE Healthcare will provide clinical applications support Monday-Friday, 8am-5pm CST (unless otherwise stated in a Schedule), excluding OEM holidays, by telephone. Off-hours support is available for an additional fee.

- GE Healthcare Products Only: Only available for Customer personnel trained by GE Healthcare to use the Product.

- Non-GE Healthcare Products: Only provided if available and indicated on a Schedule, via the OEM. Please see a Schedule for additional details (amount of hours, OEM inclusions/exclusions).

6. **TiP Options.** Not all TiP options are available with all Products or with all GE Healthcare service options. See Schedule for a list of the TiP options included in the Service Agreement.

-TiP Answer Line: Not available for non-GE Healthcare Product. Provides toll-free access to GE Healthcare application experts. Hours of operation based on Product type (times available upon request).

-TiP Virtual Assist On-Demand: Includes up to 12 hours per contract year of live, interactive, two-way remote troubleshooting, problem solving, or training sessions. Remote training sessions can be scheduled for 1 or 2 hour blocks, Monday-Friday (excluding GE Healthcare holidays). Any unused hours in a particular contract year will be forfeited without refund.

-Succeed Lifecycle TiP Applications Training: Flexible technologist training occurring yearly through the Service Agreement term.

-TiP-Ed Online: Continuing education training and business programming for healthcare professionals.

7. **Remote Diagnostic Services.** To the extent indicated on a Schedule, GE Healthcare shall include its then-current InSite, InSite On Watch, iLinq, iLinq Diagnostic, iCenter Asset Management Portal, or iCenter remote diagnostic, monitoring, troubleshooting, and/or records tools. Refer to any applicable additional Statements of Service Deliverables for the particular remote diagnostic service(s). Not available on all Products. Hours of operation based on Product type.

8. **Uptime Performance.** During any year of the Service Agreement, should any Product fail to achieve GE Healthcare's uptime commitment listed in a Schedule, Customer will be provided the applicable remedy set forth below by offering type. This remedy is Customer's sole and exclusive remedy for GE Healthcare's failure to meet the specified uptime commitment. Uptime shall be calculated as follows: (Uptime-Downtime)/Uptime, with Uptime measured as the coverage hours stated in a Schedule (hours per day x days per week x 52 weeks). Downtime shall be measured as the number of hours the Product is inoperable and out of service. PM time and Software update installation is excluded from the calculation of downtime. Product shall be considered in downtime from the time the request for service was received by GE Healthcare until the Product is turned over to Customer for operation/use. Should Customer fail to give GE Healthcare immediate and unencumbered access to the Product or continue to obtain scans from the Product after notifying GE Healthcare of any Product failure, the Product will be considered to be in service. Product will be considered inoperable and out of service if the Product is unavailable for scanning patients and diagnosing images on the Product display console or operator's console. Peripheral equipment such as remote console, magnetic tape drive, hard copy devices, multi-format and laser cameras are excluded. Repair and adjustments required for anything other than Product failure, and damage or inoperability due to any cause outside of GE Healthcare's reasonable control will be excluded, including but not limited to damage through misuse, operator error, inadequate environmental or air conditioning protection or failure, power failure and acts of God. Customer will not be entitled to any remedy if GE Healthcare's failure to meet the uptime commitment results from (i) Customer cancellations, requested rescheduling or inability to access the Product, (ii) Customer's default, including but not limited to GE Healthcare's suspension of service for failure to make timely payments as stated in the Service Agreement, (iii) improper care of the Product related to damage or abuse or (iv) any cause beyond GE Healthcare's reasonable control. Customer is responsible for tracking and calculating uptime. If Customer believes GE Healthcare did not meet the uptime commitment, Customer will give GE Healthcare written notice within a reasonable time following the end of the year period, along with data evidencing GE Healthcare's failure, for GE Healthcare's reasonable review.

Offering	Remedy	
AssurePoint Standard AssurePoint Rapid AssurePoint Performance AssurePoint Advance	Reduction in the amount of the then-current annual charge for the affected Product during the following contract year, at the following amounts:	
	<u>% Less Than Uptime Commitment</u>	<u>Reduction %</u>
	.1% - 5%	5%
	5.1%-10%	10%
	>10%	15%

9. **Specialty Component Options.** Customer may separately purchase specialty component coverage options for tubes, probes, or detectors, including AssurePoint Glass Pro, Complete, Reserve, or Pro, at the terms and conditions of such offerings.

10. **No Charge Special Parts Handling.** GE Healthcare will provide no charge special handing of critical parts in Product hard down situations. Critical parts are defined as Replacement Parts required for sufficient functionality of the Product to reasonably resume patient scanning and diagnosing images on the Product display console or operator's console. Special handling is defined as expedited delivery beyond GE Healthcare's Replacement Parts delivery priority listed in a Schedule.

11. **Quality Assurance Activities.** Upon Customer's request, GE Healthcare will provide quality assurance activities such as Product and image quality control testing, calibrations, and functional testing to measure whether Product is performing according to Customer's site-determined standards.

12. **AP Software Continuum/AP Refresh Options.** For AP Software Continuum, Customer shall be entitled to those GE Healthcare software upgrades related to the Product, and reflective of Customer's existing functionality, as such Software upgrades become commercially available during the term of the Service Agreement. See AP Software Continuum Statement of Service Deliverables for additional terms and conditions. AP Refresh entitles Customer to a pre-defined one-time hardware and/or software upgrade at the beginning of the Service Agreement term, with the cost of such upgrade paid over the full or partial term of the Service Agreement. See AP Refresh Statement of Service Deliverables for additional terms and conditions. 36 month minimum Service Agreement term required for both AP Software Continuum and AP Refresh.

13. **Exclusions.** Products may be excluded from coverage under the Service Agreement and Customer will not be entitled to any remedy if GE Healthcare's failure to provide PM or corrective maintenance service results from (i) Customer cancellation, requested rescheduling or inability to access the Product, (ii) Customer's default, including but not limited to GE Healthcare's suspension of service for failure to make timely payments as stated in the Service Agreement, (iii) improper care of the Product related to damage or abuse (e.g. broken screen due to drop or fall), or (iv) any cause beyond GE Healthcare's reasonable control. Unless expressly indicated on a Schedule, and in addition to the exclusions herein and in the GE Healthcare Service Terms and Conditions, the following items are excluded from coverage under the Service Agreement: stand-alone workstations, sensors, transmission pin sources, transducers, non-GE supplied coils, MR surface coils on non-GE Product (other than the body coil), MR magnet, cryostat, coldhead, cryo-cooler compressor, shim coils, and cryogens. GE Healthcare will charge Customer separately for such items. GE Healthcare will not be responsible for providing system database maintenance for Customer, including all activities related to backup, new users, user privileges, physician list updates, or archive/data entry, or otherwise.

14. **Ultrasound Full Service Rider.** If Products under the Service Agreement include ultrasound products, the GE Healthcare Ultrasound Full Service Rider shall be incorporated by reference into this Statement of Service Deliverables.

This GE Healthcare Statement of Service Deliverables Full Service Ultrasound Rider (a) supplements and incorporates by reference the GE Healthcare (i) Quotation that identifies the Service offering purchased by Customer; (ii) Product Schedule ("Schedule"); (iii) Statement of Service Deliverables Full Service Options; (iv) Service Terms and Conditions and (v) General Terms and Conditions, (collectively, referred to as the "Agreement" or "Service Agreement") and (b) shall only apply to ultrasound Products in an Agreement. This Statement of Service Deliverables applies to the following GE Healthcare AssurePoint / AP service offerings: Standard, Rapid, PM, Limited, Select, Performance, and Advance.

	Standard	Rapid	PM	Limited	Select	Performance	Advance
Probe Service Coverage	°	°		°	°	°	°
Compact Console Accidental Damage Replacement Coverage	°	°				°	
Compact Console Loaner Program	°	°				°	
Quality Control Support						•	•
Echo Pac SCAR						•	

• Included (to the extent provided herein) ° Optional (if available/indicated on a Schedule)

1. **Probe Service Coverage.** For Product identified on a Schedule as "Probe Service Coverage", GE Healthcare will provide either probe repair or replacement coverage (at GE Healthcare's sole discretion) for Product-related probe failures that occur as a result of normal use and as limited by the number of repairs/replacements per contract year as specified in a Schedule. GE Healthcare will also provide either probe repair or replacement coverage for Product-related probe failures that occur as a result of accidental damage and as limited by the number of repairs/replacements per contract year as specified in a Schedule. Additional probe repair service will be billed at GE Healthcare's then-current service rates and additional probe replacements may be purchased by Customer at GE Healthcare's then-current list prices less any applicable discount specified in a Schedule. Probe Service Coverage for TEE probes is excluded unless otherwise indicated on a Schedule. In addition to any other exclusions and exceptions set forth in the Service Agreement, this coverage does not cover lost probes, theft, or damage caused by any use that does not conform to OEM guidelines including abuse, improper handling, power failures or surges, fire, improper cleaning, disinfecting or over-soaking. Repair service for damaged probes caused by any of the foregoing will be billed at GE Healthcare's then-current service rates. Customer shall send its damaged probe to GE Healthcare using GE Healthcare's Return to Manufacturer Authorization process in accordance with the GE Healthcare Service Terms and Conditions. GE Healthcare may provide Customer with a loaner probe while servicing Customer's probe under Probe Service Coverage pursuant to the terms and conditions of Section 5 (Loaner Systems) of the GE Healthcare General Terms and Conditions (with the understanding that Customer shall not receive an entire loaner system, but instead a loaner probe). Upon the mutual written agreement of the parties, Customer may keep the loaner probe provided to it by GE Healthcare under Probe Service Coverage as a replacement for Customer's damaged probe, so long as Customer promptly returns Customer's damaged probe to GE Healthcare.

2. **Compact Console Accidental Damage Replacement Coverage.** GE Healthcare will provide replacement coverage during the Service Agreement for GE Healthcare compact systems (e.g., Logiq Book, Vivid i, Vivid q, Venue 40, Voluson i, Voluson e, Logiq e, Vivid e, Logiq i) Product failures that occur as a result of normal use, operations, handling or storage, and accidental damage (e.g., cracking from high impact drops or probe cable rupture from rolling equipment over cable). This coverage does NOT cover abuse or loss or theft of the compact system Product or any peripherals, probes, or other item, nor does it cover damage to any part of the Product caused by improper cleaning, disinfecting, misuse or any other use that does not conform to the OEM guidelines.

3. **Compact Console Loaner Program.** GE Healthcare will provide repair or maintenance of Customer's covered handheld compact (e.g., Logiq Book, Vivid i, Vivid q, Venue 40, Voluson i, Voluson e, Logiq e, Vivid e, Logiq i) Product. Coverage requires that the Product be returned to GE Healthcare for service. GE Healthcare will provide Customer with a temporary replacement product ("Loaner System") substantially similar to the covered Product returned to GE Healthcare. Shipping costs are included in service coverage. Customer is responsible for proper packing and return of both the covered Product and the Loaner System. When returning the Product for service, Customer shall use the original packing material or any alternative recommended by GE Healthcare. Failure to return the Loaner System within 14 days of the date GE Healthcare returns the covered Product to Customer will result in monthly rental fees equal to 1/12 of the original list purchase price of the Loaner System. All shipments must be sent insured for the replacement value of the covered Product being shipped.

4. **AP Limited and AP Select Only.** For GE Healthcare ultrasound console Products, repair parts include 1 general or 1 specialty transducer (other than TEE transducers) exchange per year, if required. For non-GE Healthcare ultrasound products, probes are excluded. This coverage is considered a Designated Service Event. For Product as indicated on a Schedule, GE Healthcare will provide replacement coverage for Product-related probe failures that occur as a result of normal use or accidental damage, capped at one service event per year.

For GE Healthcare ultrasound compact Products, a service event can include a general or specialty transducer (other than TEE transducers) failure that occur as a result of normal use or accidental damage, capped at one service event per year or corrective service for Equipment problems that are diagnosed and remedied by GE Healthcare. This coverage is considered a Designated Service Event.

5. **Quality Control Support.** Upon Customer's request, GE Healthcare shall provide periodic image and equipment quality support, which may include establishing and monitoring baseline image parameters, leakage tests, and mechanical inspections.

6. **Echo PAC Software Configuration and Administrative Review.** GE Healthcare or its agent will provide periodic inspections of each applicable GE Healthcare ultrasound Product with such inspection coverage pursuant to OEM specifications at OEM-recommended intervals around those times set forth on the Schedule for each Product.

iCenter

The iCenter Informatics website provides current and historical information related to diagnostic imaging equipment and clinical assets. Access to maintenance, utilization, and capital planning reports is provided through a secure website.

Maintenance Reports

GE Healthcare Maintenance Reports provide detailed service records, planned maintenance schedule, service performance and other contract management information. Details are provided in Exhibit B.

Utilization Reports

GE Healthcare Utilization Reports (Imaging Performance Manager) provide system specific usage statistics. Details are provided in Exhibit B.

Capital Planning Reports

GE Healthcare Capital Planning Reports provide facility wide Installed Base reports profiling the number of assets, age, End of Service Life and more. Details are provided in Exhibit B.

Access to the specific iCenter maintenance, iCenter utilization and iCenter capital planning reports is included as detailed on Schedule A.

iCenter Subscription – During the term of the Agreement GE Healthcare will provide you a subscription allowing you to access information, through the iCenter website, for all your diagnostic imaging equipment covered by GE Healthcare Service agreement. During the term of your subscription, you are granted a limited, non-exclusive, non-transferable right to search, retrieve, display, download, print and use the information solely at the site for internal business use only. User ID and password or other security process defined by GE Healthcare will control access to the website. You will manage password assignment and confidentiality. Except as expressly permitted above, you not de-compile or reverse engineer any of the associated software and other content and materials related to the website sell, sub-license, distribute, or commercially exploit the content on the website, make the content on the website available to any third party through any means or media, or modify, publish, transmit, participate in the license, transfer, or sale of, reproduce, create derivative works from, upgrade, modify, replace or delete portions of information, functions of the website, and related materials at any time during the term of the agreement.

iCenter Ownership and Use of Intellectual Property Rights – The content provided on the website is the property of GE Healthcare and is protected by copyright and other intellectual property laws of the United States and by applicable international treaties. All rights with regard to the content are reserved to GE Healthcare. No rights are transferred to you by virtue of this subscription except as specifically provided in this subscription. You agree to abide by all copyright notices, information, or restrictions.

iCenter Disclaimer of Warranties – Notwithstanding the limited warranties section in the master terms and conditions, GE Healthcare expressly disclaims all warranties and representations of any kind with respect to the information and related materials, whether expressed or implied, including any implied warranties of merchantability, fitness for a particular purpose, non-interference with enjoyment, and tittle. Due to the numbers of sources from which information is obtained, and the inherent hazards of electronic inaccuracies or typographical errors, and may not be available without interruption.

iCenter Training – At your request and in conjunction with the activation of your initial subscription, GE Healthcare or its agent will provide application training for two individuals in the use of the Information Related Materials (regardless of the number of pieces of equipment for which you have subscription). Additional applications training may be purchased separately and changes for such training will be in accordance with the prevailing rates then in effect for such services.

Multi-Vendor IPM Utilization Reports- In order for GE Healthcare to provide IPM Utilization reports the following must be fulfilled:

- Confirm that a DICOM Station Name, which uniquely identifies customer assets, has been configured on each diagnostic imaging asset for which GE will report utilization.
- Provide GE a list of the DICOM Station Names ordered by PACS.
- Add the GE Site Gateway to all client PACS as a DICOM node.
- Provide GE the IP address, DICOM AE Title and DICOM port for the GE Site Gateway.
- Provide GE the IP address, DICOM AE Title and DICOM port for all client PACS.
- Keep GE apprised of changes to all PACS or diagnostic imaging assets that may affect GE's ability to provide utilization reports.
- Address technical questions or concerns or provide updates to the GE Director of Service (DOS).

Exhibit A: Example Asset Data Required for Asset Management

Station Name	GE System ID	PACS IP address	Status
SPR-MP343	81768PQ25	1.11.11.111	OEM RC
SMR-MP333	81768TMR14	2.22.22.254	OEM RC
SXX-MP4453	81768PHXV13	3.44.81.212	OEM NO-RC

Possible Status Values:
DISABLED – Ignore this system
GE IPM – GE system with built-in IPM
GE NO-IPM – GE system without built-in IPM
OEM RC – non-GE system with remote connectivity
OEM NO-RC – non-GE system without remote connectivity

Exhibit B: Informatics Report Schedule

iCenter: Maintenance Reports

Silver

Welcome Page
  Help menus
  Messages from GE
Today Page–
  Green, Yellow, Red – at a glance asset status
  Service call status
Planned Maintenance
  Completed and Scheduled
  Print and download
Asset Information
  Inventory
  Service Agreement Details
Service Performance
  Corrective Maintenance
  Remote Service
  Uptime %
Contact GE

iCenter: Utilization Reports

Silver	Gold
IPM Summary Page Customizable target patient volume and staffed hours	IPM Summary Page Customizable target patient volume and staffed hours Data download to excel

	Reports (online or pdf version)
	  Volume of exams, patients
	  Referring physician
	  Types of Studies
	  Two year trend
	  IPM Interpreter
	  Utilization calculation

iCenter: Capital Planning Reports

Silver

Facility Installed Base Analysis
  Data download to excel
Standard reports (online or pdf) include:
  Age of asset compared to benchmark
  EOPL and EOSL
  Unplanned service compared to benchmark
  Service calls and service time per year for each asset
  Guideline on replacement target

Succeed Lifecycle TiP Support Plus Program: Annual professionally managed customized TiP Applications on-site and remote training. Remote training delivered via TiP Virtual Assist ® (TVA) is live, interactive, two-way remote troubleshooting or training sessions. These sessions include real-time observation and interaction with the system interface and allow for reinforcement of on-site training, with the ability to do live interactive demonstrations, observe procedures, and answer questions as they arise. Possible topics for review include image quality assessment and protocol review. Facility personnel give permission for TVA session on iLinq™ and the TiP team initiates the session.

For Equipment identified on the attached Schedule as: Ongoing TiP Applications, Ongoing TiP Applications MR, Ongoing TiP Applications CT, Ongoing TiP Applications PT, Ongoing TiP Applications NM, Ongoing TiP Applications MM, or Ongoing TiP Applications XR, when one or more are selected as an option, GE Healthcare will provide the following:

Succeed Lifecycle TiP Support Plus Deliverables

Extended clinical applications training consisting of (1) Customer Needs Analysis, (2) On-site visits, and (3) TiP Virtual Assist (available only for selected modalities) per year, post-warranty.

(1) Customer Needs Analysis: Consists of one half-day, off-site telephone interview to identify areas of need and customize a training plan. GE will provide a professional TiP Applications Engagement Lead who will work with a customer-designated employee to scope out the areas of focus and goals of training each year. Once finalized, the annual plan may be revised only upon mutual agreement of customer and TiP Applications Lead.

Training will be used to address the mutually agreed upon areas of biggest need from the then-current list of available training courses. Examples for reference only: ACR, Staff Turnover, Safety, Analog to Digital Conversion, Physician Training, QC, Procedures Checkup, Workflow Checkup, Radiologist Training, QAP, Advanced Applications, Dose Reduction, Cardiac Studies.

(2) On-Site Visits: Length and frequency of on-site visits are as indicated on the Schedule A. Up to four technologists per onsite session. These days will be delivered on regular weekdays, excluding official GE Holidays. Customer may substitute Headquarters training classes upon mutual agreement of customer and TiP Applications Lead.

On-site training delivery schedule by modality:

- MR: 8 days on-site, not to exceed 2 on-site visits (visits may be in consecutive weeks by mutual customer and GE agreement)
- CT: 8 days on-site, not to exceed 2 on-site visits (visits may be in consecutive weeks by mutual customer and GE agreement)
- XR: 4 days on-site, not to exceed 2 on-site visits (visits may be in one consecutive week by mutual customer and GE agreement)
- PET: 4 days on-site, not to exceed 2 on-site visits (visits may be in one consecutive week by mutual customer and GE agreement)
- Nuclear: 4 days on-site, not to exceed 2 on-site visits (visits may be in one consecutive week by mutual customer and GE agreement)
- Mammography: 4 days on-site, not to exceed 2 on-site visits (visits may be in one consecutive week by mutual customer and GE agreement)

(3) TVA On Demand: Remote applications training and problem solving, consisting of up to 16 hours per year of TiP Virtual Assist including:

- **TVA Problem Resolution**: Use of TVA for immediate problem resolution and troubleshooting. This service contract supplement works in concert with the TiP Answerline, which consists of toll –free access to applications experts for phone support and is available to all contract customers. Support is available during modality hours of operation. Call 1-800-682-5327 or press your iLinq button and ask for TiP Answerline. As troubleshooting is done the TiP Applications experts may recommend follow-up remote training that can be scheduled at the GE TiP Applications team's earliest availability.

- **Scheduled One-on-One TVA Training**: Remote training can be scheduled for 1 or 2 hour blocks. Each session will be delivered on regular weekdays, excluding official GE Holidays.

Customer additional responsibilities for applications training:

- Any unused training entitlement in a particular contract year will be forfeited
- Training visits must be scheduled with the GE Healthcare TiP Applications Engagement Lead a minimum of three weeks before delivery is expected.

Inclusion of this Deliverables document entitles the Customer to GE Healthcare's TiP-Ed Online SM continuing education ("CE"), training and business programming for diagnostic imaging and other healthcare professionals (the "Subscription") delivered in a method ("Delivery Method") as determined by GE Healthcare. GE Healthcare currently provides the Subscription via the Satellite System (as defined below) or via the Internet. For the avoidance of doubt, GE Healthcare may terminate such Delivery Methods at any time and elect to deliver the Subscription by an alternate Delivery Method. If a satellite system, capable of receiving the TiP-Ed Online SM signal, is already installed in your facility, you not will be required to pay installation fees for receiving TiP-Ed Online SM content. If a satellite system is not previously installed, the Customer will be required to pay for the Satellite System and all installation costs.

TiP-Ed Online SM Provided Via the Satellite System
To the extent that GE Healthcare delivers the Subscription via the Satellite System, the following terms shall apply:

Customer's Right to Use the Broadcasts
GE Healthcare grants you during the term of this Subscription a limited, non-exclusive, non-transferable license to do the following:

- Use the provided Satellite System to receive and decode TiP-Ed Online SM broadcasts. "Satellite System" includes the satellite antenna, mount, feed horn adapter, modulators, channel filters and related items licensed by us to you under this Subscription to permit you to receive our TiP-Ed Online SM programs.
- Receive TiP-Ed Online SM broadcasts and, when applicable, obtain supplementary materials electronically for the educational use of your Health Care Employees. "Health Care Employees" are your employees having the primary responsibility to provide health care to human beings.
- Make videotape copies of each TiP-Ed Online SM broadcast solely for the educational use of your Health Care Employees. You may not edit, alter, sell, rent, or part with possession of your videotape copy of the broadcasts.
- Internally display broadcasts through a distribution system (preferably through a central television distribution system) located within your health care facility that hosts the Satellite System. You may neither transmit nor show the broadcasts at a location outside of the licensed site, nor show any broadcast in any public or patient areas of your site or to anyone other than your Health Care Employees. Non-Health Care Employees may view certain broadcasts with GE Healthcare's prior written consent.
- The broadcasts are protected by the copyright laws of the United States and by applicable international treaties. No right under copyright is transferred to you by virtue of this Subscription, except as specifically provided in this Subscription.
- The rights granted to you under this Subscription will not affect the exclusive ownership by GE Healthcare and/or GE Healthcare's vendors of any trademarks, copyrights, patents, or common law property rights pertaining to the Satellite System or its broadcasts.

Customer's TiP-Ed Online SM Subscription Responsibilities
You agree, during the term of this Subscription to:

- Assist GE Healthcare or its agents to determine the compatibility of your existing Satellite System or, as necessary, the requirements of a new Satellite System to receive broadcasts from GE Healthcare.
- Obtain all federal, state and local variances, permits and authorizations necessary to install and use the Satellite System to receive GE Healthcare's Broadcasts at the licensed site. GE will provide reasonable assistance in connection therewith, at your expense.
- Obtain and maintain all facilities necessary to enable your Health Care Employees to participate in TiP-Ed Online SM broadcasts at the site through the use of the provided Satellite System, including viewing room, television or monitor, telephone, and VCR (if desired).
- Maintain GE Healthcare's Satellite System in operational condition and replace any inoperable Satellite System components that fail for reasons other than a manufacturing defect.
- Designate an education coordinator and an Audio-Visual/Installation Coordinator for your site receiving broadcasts.
- Engage your Staff Education Director or Clinical Education Director to communicate CE programming opportunities to your staff.
- Report promptly any broadcast reception concerns to GE Healthcare's toll-free help desk or customer service web site.
- Within 30 days after the termination of the this Subscription, de-install, package, and return, at your expense, GE Healthcare's Satellite System to GE Healthcare in operational condition. A charge of $100 for each day of delay beyond the 30-day period will apply.
- Provide opportunities for GE Healthcare to collect viewership data, if requested.

GE Healthcare's TiP-Ed Online SM Subscription Responsibilities
During the term of this Subscription, GE Healthcare will provide:

- Specifications and coordination of installation of GE Healthcare's Satellite System.
- Utilization tools and processes for promoting participation in TiP-Ed Online SM programs (e.g., schedules, calendars, etc.).
- Replacement of any Satellite System component owned by GE Healthcare that fails to properly operate because of a manufacturing defect.
- Telephone training for the education coordinator(s) in administering and promoting TiP-Ed Online SM use at your site.
- Toll-free customer service support during standard GE Healthcare business hours.
- An Internet-enabled Healthcare Learning Management System (HLS) and Web Site supporting use and access to on-line CE course assessments and certificates of completion that can be printed upon successful completion of certain CE courses.
- Access via one user name and password to site-specific records for your designated education coordinator.

TiP-Ed Online SM Provided Via the Internet
To the extent that GE Healthcare delivers the Subscription via the Internet, the following terms shall apply:

Each TiP-Ed Online SM course is available through the GE Healthcare Learning System web site with access to course content and downloadable supplemental materials, CE assessments and certificates of completion (which certificate of completion may be printed upon successfully passing certain CE courses). An Internet broadband connection is required. GE Healthcare will work with the customer's designated information systems administrator and/or business leaders to help resolve technical problems. However, GE Healthcare is not liable for any internal delivery issues.

Customer's Right to Use TiP-Ed Online SM
You are granted during the term of this Subscription a limited, non-exclusive, non-transferable license to TiP-Ed Online SM content delivered via the Internet.

- Access to TiP-Ed Online SM content may not be granted to anyone other than your Health Care Employees at your Healthcare Facility.
- TiP-Ed Online SM content is protected by the copyright laws of the United States and by applicable international treaties. No right under copyright is transferred to you by virtue of this Subscription, except as specifically provided in this Subscription.
- The rights granted to you under this Subscription will not affect the exclusive ownership by GE Healthcare and/or GE Healthcare's vendors of any trademarks, copyrights, patents, or common law property rights pertaining to the TiP-Ed Online SM content.

Customer's TiP-Ed Online SM Responsibilities
You agree, during the term of this Subscription to:

- Assist GE Healthcare or its agents to determine the compatibility of your existing on-line system to receive content through TiP-Ed Online SM.
- Obtain and maintain all facilities necessary to receive GE Healthcare's TiP-Ed Online SM content for your Health Care Employees through the use of GE Healthcare's Learning Management System.
- Designate an education coordinator for each Site utilizing TiP-Ed Online SM.

GE Healthcare's TiP-Ed Online SM Subscription Responsibilities
During the term of this Subscription, GE Healthcare will provide:

- Telephone assistance in the initial set-up of TiP-Ed Online SM for use by your Health Care Employees.
- Utilization tools and processes for promoting participation in TiP-Ed Online SM (e.g., schedules, calendars, etc.).
- Secure access via one user name and password to site-specific education records for one designated education coordinator per participating facility.
- An Internet-enabled Healthcare Learning Management System and Web Site supporting use and access to on-line CE course assessments and certificates of completion that can be printed upon successfully passing CE course assessments.
- Toll-free technical help desk support during standard GE Healthcare business hours.
- Toll-free Customer Service support during standard GE Healthcare business hours.

General Terms and Conditions Relating to the Provision of TiP-Ed Online SM
The following terms shall apply generally to the provision of TiP-Ed Online SM by GE Healthcare to you, regardless of the Delivery Method:

Intellectual Property Rights - You acknowledge that all information related to this Subscription and its programs and content (the "Program Materials") are confidential, proprietary and valuable to us. You agree not to, and not to authorize others to, permit any other access to or disclosure or use of Program Materials or to modify any part of the Program Materials without the prior written authorization of one of our corporate officers. You agree to take reasonable and practical security measures to prevent unauthorized or unlawful access, copying, taping or use by others or disclosure to others of such information or materials. All Program Materials are protected by the copyright laws of the United States and by applicable international treaties. No right under copyright is transferred to you by virtue of this Subscription, except as specifically provided in this Subscription. Ownership of the Program Materials and of the copies permitted by this Subscription will remain with us. The rights granted to you under this Subscription will not affect the exclusive ownership by us and/or our vendors of any trademarks, copyrights, patents, or common law property rights that pertain to the Subscription licensed to you hereunder. Any transfer of any such property will at all times be subject to all trademarks, copyrights, letters patent, and common law property rights of ours and/or our vendors.

Disclaimer of Liability - GE Healthcare makes no representation or warranty with respect to and has no liability to you or your employees regarding the accuracy or completeness of any information contained in any Program Materials. GE Healthcare will use reasonable efforts to make an appropriate correction if GE Healthcare determines there is an inaccuracy in any Program Materials. GE Healthcare does not promote or otherwise recommend any procedure suggested in any Program Materials unless it is also described in a GE Healthcare user manual. Accordingly, your use of such a procedure shall be at your sole risk. Posted schedules, program formats, and content are subject to change at GE Healthcare's discretion without prior notice. GE Healthcare and its representatives have no liability for any claim of infringement of patents or other intellectual property rights caused by your use of a procedure not described in a GE Healthcare user manual.

Title and Risk of Loss - GE Healthcare will keep title to the Program Materials (including, without limitation, any satellite broadcasts). You will preserve GE Healthcare's title in these items free and clear of all claims, encumbrances, and liens and will not transfer custody of them to a third party without our GE Healthcare's prior written consent. You may not alter any part of the Satellite System or allow others outside your site access to the Satellite System. You are responsible for risk of loss or damage to the Satellite System from the time GE Healthcare delivers them to you until the time you return them, at your expense, to GE Healthcare at the end of this Subscription. You agree that GE Healthcare has no liability with respect to GE Healthcare's Satellite System licensed to you except to replace it at GE Healthcare's expense, in the event it fails to operate solely because of a design or manufacturing defect or normal wear and tear.

Reservation of Rights – At any time during the term of this Subscription, you agree that GE Healthcare may (i) unilaterally change the Delivery Method of the Subscription, (ii) assign all or a part of the rights and/or obligations under this agreement to any third party or (iii) for any reason, terminate the Subscription for any reason upon at least twelve (12) months written notification to you. GE Healthcare also reserves the right to solely determine the content of the Program Materials.

AGENCY AUTHORIZATION AGREEMENT FOR SERVICE ON NON-GE EQUIPMENT

Customer named below hereby designates GE Healthcare as its duly authorized agent to act on Customer's behalf to conduct the following business matters concerning the equipment within Customer's owned, leased and/or managed facilities:

- Negotiate and sign service agreements.
- Obtain service support, parts, parts pricing, technical information (including but not limited to manuals, software, etc.), service histories, time and material cost, and training.
- Receive invoices related to the service of the equipment including but not limited to service agreements, service support, parts, technical support and information, time and material costs, and training.

This agency authorization is effective as of the date shown below and continues in force until revoked in writing by an authorized representative of Customer. Revocation of this agency authorization shall not affect the validity of any contracts or commitments made by GE Healthcare as Customer's agent prior to delivery of the written revocation.

CUSTOMER INFORMATION

Facility Name: ______________________________

By: ______________________________

Signature: ______________________________

Title: ______________________________

Date: ______________________________

HOWELL ALLEN CLINIC

Support and prices quoted below are valid provided the customer signs and returns this quote to GE Healthcare by 3/12/2015

Equipment Identifiers	Trans. Type	Equipment	Effective Date	Offering	Options	Features	Annual Amount	Comments
System ID: 615320MR1 Phy Loc Acct: 303294 Global Order #: 2505559 Asset No: MGS020-GIB+000000000735383+9997-000000000735383	ADD Renewal (REN)	GE MR 1.5T HDxt ECHOSPEED (NON-MOBILE) (MSU135)	3/11/2015	AssurePoint Advance	INCLUDED: ▯ CHILLER COVERAGE: AIRSYS OR ELLIS & WATTS ONLY ▯ GE SUPPLIED COILS ▯ ICENTER - UTILIZATION: ICENTER UTILITIZATION: GOLD ▯ ILINQ RESPONSE TIME: 30 MIN. ▯ InSite Onwatch ▯ SPECTROSCOPY EXCLUDED: ▯ 32-CHANNEL ▯ ADVANTAGE WINDOWS ▯ PERIPHERAL DEVICES ▯ PRINTER ▯ SENTINELLE TABLE ▯ UNINTERRUPTED POWER SUPPLY	▯ TiP Succeed Lifecycle Program: LCYCLE-2D ▯ FE Coverage HOURS/DAYS: MON-FRI, 8AM-9PM ▯ FE Coverage Weekend: NO COVERAGE HRS ▯ FE Onsite Response Time: 4-Hours ▯ InSite/Tech Phone Support: InSite / Tech Phone Support ▯ No SPH Part Fee for Hard Down: NO ▯ PM Coverage HOURS/DAYS: MON-FRI, 8AM-9PM ▯ Repair Parts: Included, Next Day 10:30 AM LST-MR-US ▯ Software Upgrades and Updates: Software and Quality Updates ▯ TiP Accredit Physicist Support: NO ▯ TiP Answer Line ▯ TiP-Ed Online(TV) Subscription: TiP-Ed Online (TiP-TV) Subscription ▯ Uptime Commitment: 97%	$100,912	
System ID: 615320MR1C Phy Loc Acct: 303294 Global Order #: 2505559 Asset No: MSC28Z-GIB+000000000735383+9997	ADD Renewal (REN)	GE MR MR MAGNET MAINTENANCE AND CRYOGEN (MSC28Z)	3/11/2015	Magnet Maintenance and Cryogen	INCLUDED: ▯ MAGNET: 0.5T, 1.0T, 1.5T (NON-TWIN)	▯ FE Coverage HOURS/DAYS: MON-FRI, 8AM-9PM ▯ InSite/Tech Phone Support: InSite / Tech Phone Support ▯ Parts Shipping: Included, Two Day 5:00 PM LST-GENERAL	$32,897	
System ID: 615327MPI Phy Loc Acct: 303294 Global Order #: 2506668 Asset No: XRF141-GIB+000000000737212+9998-000000000737212	ADD Renewal (REN)	GE XR PRECISION MPI (XRF141)	3/11/2015	AssurePoint Standard	INCLUDED: ▯ ILINQ RESPONSE TIME: 30 MIN. EXCLUDED: ▯ ADVANTAGE WINDOWS ▯ IMAGE INTENSIFIER ▯ PERIPHERAL DEVICES ▯ PRINTER ▯ TUBE COVERAGE ▯ UNINTERRUPTED POWER SUPPLY ▯ VCR	▯ FE Coverage HOURS/DAYS: MON-FRI, 8AM-9PM ▯ FE Coverage Weekend: NO COVERAGE HRS ▯ FE Onsite Response Time: 4-Hours ▯ iCenter - Maintenance: SILVER ▯ InSite/Tech Phone Support: InSite / Tech Phone Support ▯ PM Coverage HOURS/DAYS: MON-FRI, 8AM-9PM ▯ Repair Parts: Included, Next Day 10:30 AM LST-GDXR-R&F-US ▯ Software Upgrades and Updates: Software and Quality Updates ▯ TiP Answer Line ▯ Uptime Commitment: 97%	$47,656	

GE Healthcare

Schedule A

Equipment Identifiers	Trans. Type	Equipment	Effective Date	Offering	Options	Features	Annual Amount	Comments
System ID: 615327XRD Phy Loc Acct: 303294 Global Order #: 2506969 Asset No: XRA545-GIB+000000000737734+9998-000000000737734	ADD Renewal (REN)	GE XR REVOLUTION XR/D 2 DET (XRA545)	3/11/2015	AssurePoint Standard	INCLUDED: ILINQ RESPONSE TIME: 30 MIN. TABLE: NUCLEAR TABLE TUBE COVERAGE: 0000000-9999999 Patients EXCLUDED: ACCIDENT COVERAGE - DETECTOR ADVANTAGE WINDOWS DETECTOR** PERIPHERAL DEVICES PRINTER UNINTERRUPTED POWER SUPPLY	FE Coverage HOURS/DAYS: MON-FRI, 8AM-9PM FE Coverage Weekend: NO COVERAGE HRS FE Onsite Response Time: 4-Hours iCenter - Maintenance: SILVER InSite/Tech Phone Support: InSite / Tech Phone Support PM Coverage HOURS/DAYS: MON-FRI, 8AM-9PM Repair Parts: Included, Next Day 10:30 AM LST-GDXR-RAD-US Software Upgrades and Updates: Software and Quality Updates TiP Answer Line Uptime Commitment: 97%	$37,900	
System ID: 615327HACT Phy Loc Acct: 303294 Global Order #: 4215621 Asset No: CGS089-GE13+4215621+1P1	ADD GE Winback(WB)	GE CT LIGHTSPEED 16 (CGS089)	9/26/2015	AssurePoint Standard	INCLUDED: ICENTER - UTILIZATION: ICENTER UTILITIZATION: SILVER ILINQ RESPONSE TIME: 30 MIN. SYSTEM AND TUBE COVERAGE: 0002001-0003000 Patients EXCLUDED: PERIPHERAL DEVICES UNINTERRUPTED POWER SUPPLY WORKSTATION	FE Coverage Weekdays: MON-FRI, 8AM-9PM FE Coverage Weekend: NO COVERAGE HRS FE Onsite Response Time: 4-Hours iCenter - Maintenance: SILVER InSite Response: 30 InSite/Tech Phone Support PM Coverage HOURS/DAYS: MON-FRI, 8AM-9PM Repair Parts: Included, Next Day 10:30 AM LST-CT Software Upgrades and Updates: Software and Quality Updates TiP Answer Line Uptime Commitment: 97%	$90,000	
System ID: TBD Phy Loc Acct: 303294 Serial: 100615 Model #: 3034703	ADD POS	MEDRAD MV PR MEDRAD STELLANT D (SME047)	End of Warranty	AssurePoint Standard	EXCLUDED: XDS COVERAGE	FE Coverage HOURS/DAYS: MON-FRI, 8AM-5PM FE Coverage Weekend: NO COVERAGE HRS FE Onsite Response Time: 24 Hours Parts Shipping: Included, Next Day 10:30 AM LST-GENERAL PM Coverage HOURS/DAYS: MON-FRI, 8AM-5PM	$4,200	
System ID: TBD Phy Loc Acct: 303294 Global Order #: 4215621	ADD POS	POWERWARE MV PR POWERWARE UPS 10 KVA (9155) (SEA113)	End of Warranty	AssurePoint Standard	EXCLUDED: BATTERY REPLACEMENT COVERAGE	FE Coverage HOURS/DAYS: MON-FRI, 8AM-5PM FE Onsite Response Time: 6-Hours PM Coverage HOURS/DAYS: MON-FRI, 8AM-5PM Repair Parts: Included, Next Day 10:30 AM LST-A&S-US	$3,000	

NET ANNUAL VALUE:	$316,565
Comments:	For XR 656, Detector Replacement Charge without Detector Coverage is $114K

Customer:

Approved By: ____________________ Title: ____________________

Signature: ____________________ Date: ____________________

GE Healthcare:

Approved By: ____________________ Title: ____________________

Signature: ____________________ Date: ____________________

Attachment B.II.E.3

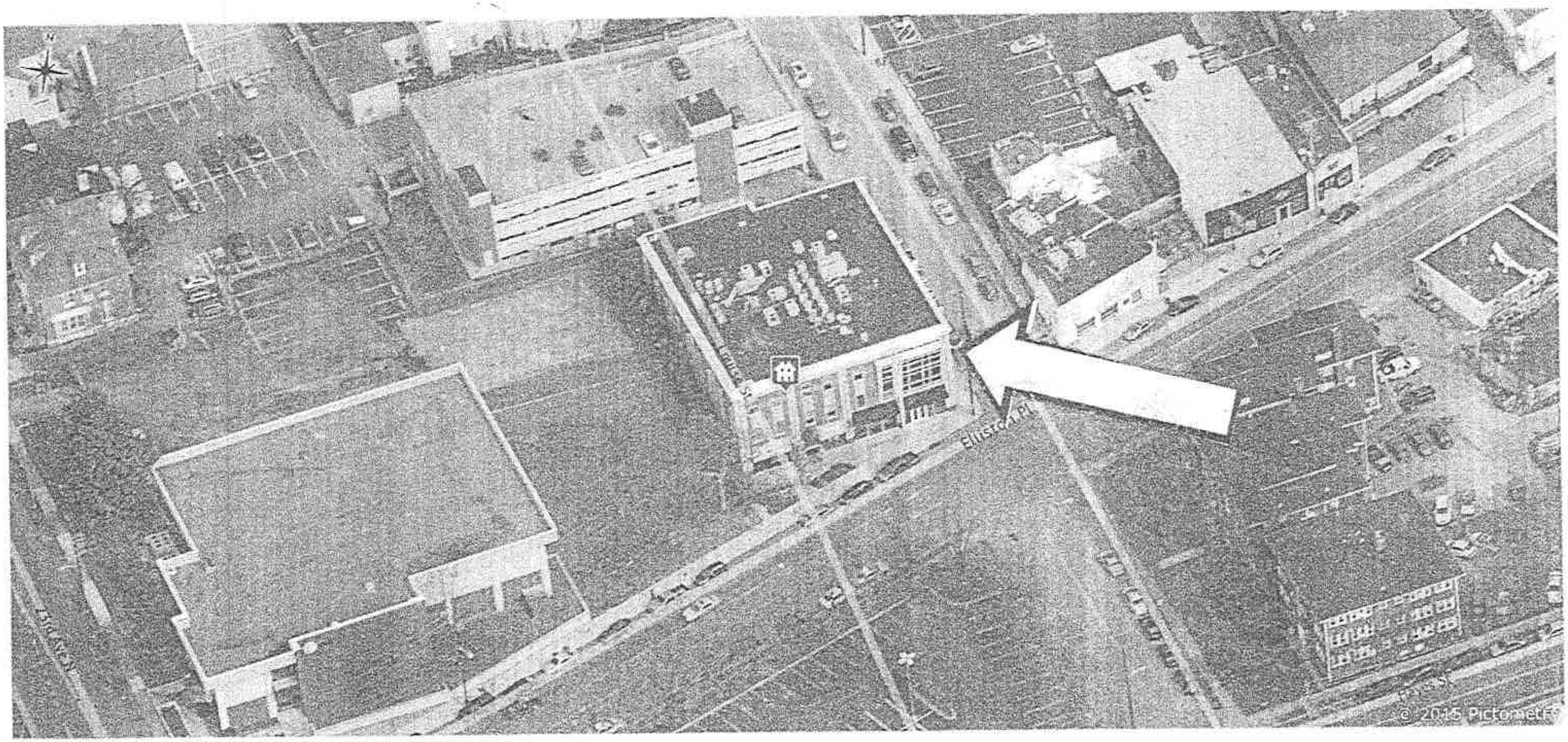
Clinical Applications

CPT Code	Description of Procedure
70551	MRI BRAIN; WO CONTRAST
70552	MRI BRAIN; W CONTRAST
70553	MRI BRAIN WO/W CONTRAST
71550	MRI CHEST
71552	MRI CHEST WO/W CONTRAST
72141	MRI SPINAL CANAL CERV; WO CONTRAST
72142	MRI SPINAL CANAL CERV; W/CONTRAST
72146	MRI SPINAL CANAL THORAC WO CONTRAST
72147	MRI SPINAL CANAL THORAC; W CONTRAST
72148	MRI SPINAL CANAL LUMB; WO CONTRAST
72149	MRI SPINAL CANAL LUMB; W CONTRAST
72156	MRI SPINAL WO THEN W CONTRAST; CERV
72157	MRI SPINAL WO THEN W CONTRAST; THORAC
72158	MRI SPINAL WO THEN W CONTRAST; LUMB
72197	MRI PELVIS WO/W CONTRAST
73221	MRI UPPER JOINT; UPPER EXTREMITY
73721	MRI ANY JOINT; LOWER EXTREMITY

Attachment B.III.A.

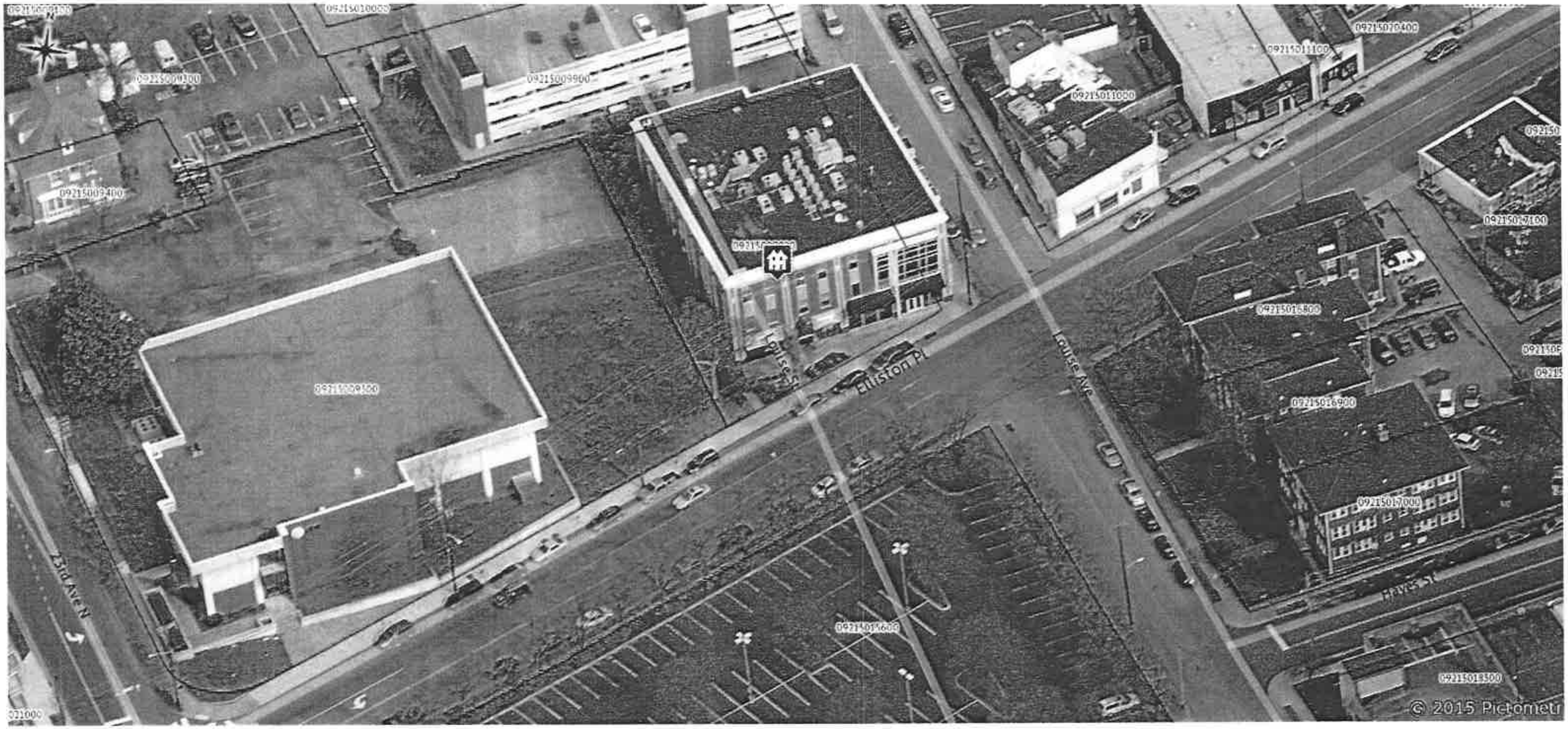
Plot Plan

Howell Allen Clinic MRI



03/21/2015

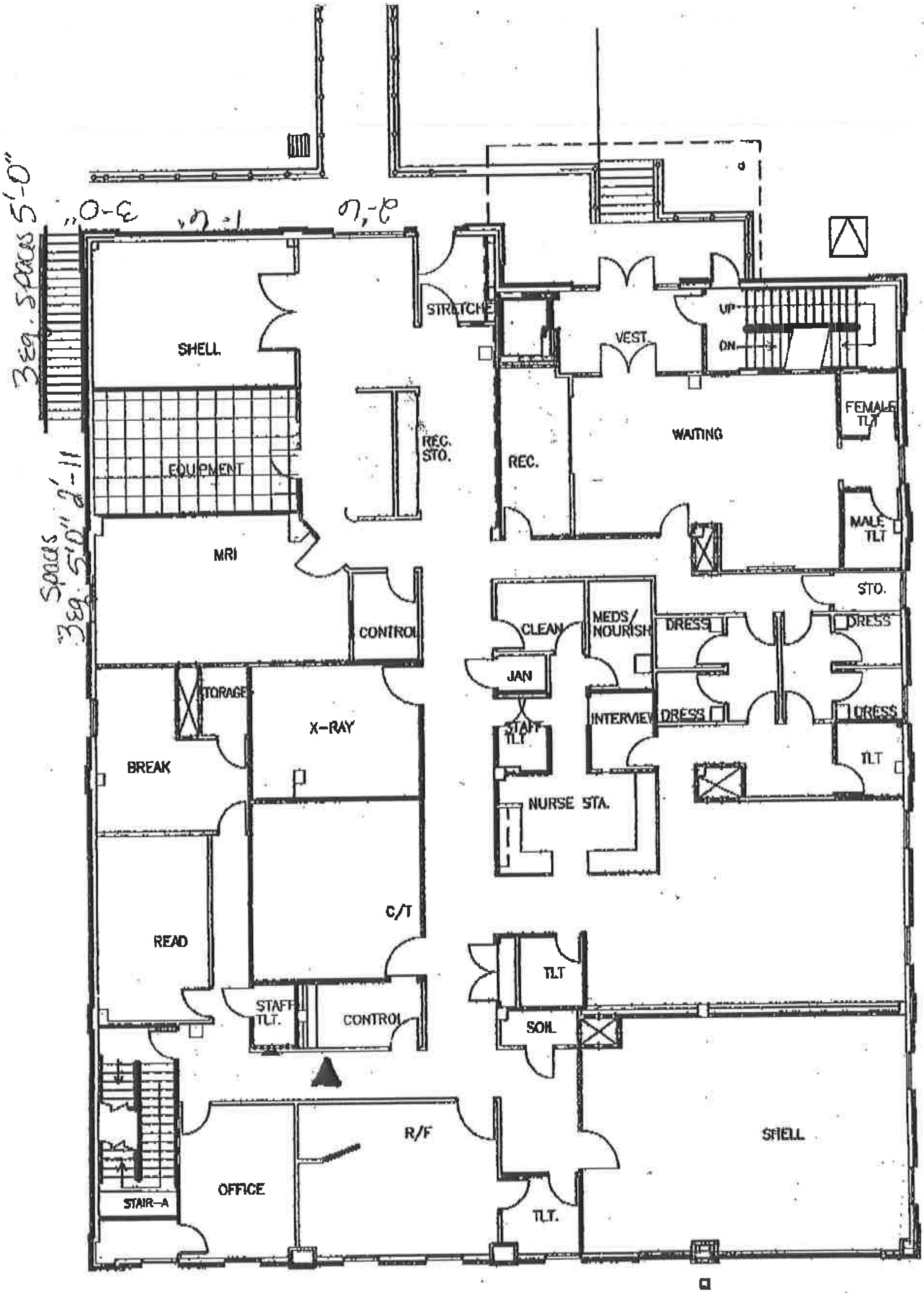
Project Site - Suite 200 of Elliston Place: Parcel View



03/21/2015

Attachment B.IV.

Floor Plans



LEGEND
YOU ARE HERE
EXIT
EXIT PATH
FIRE

Aug. 6. 2015 2:22PM

No. 2986 P. 1/1

Attachment C.1.A

American College of Radiology MRI Guidance

The American College of Radiology, with more than 30,000 members, is the principal organization of radiologists, radiation oncologists, and clinical medical physicists in the United States. The College is a nonprofit professional society whose primary purposes are to advance the science of radiology, improve radiologic services to the patient, study the socioeconomic aspects of the practice of radiology, and encourage continuing education for radiologists, radiation oncologists, medical physicists, and persons practicing in allied professional fields.

The American College of Radiology will periodically define new practice parameters and technical standards for radiologic practice to help advance the science of radiology and to improve the quality of service to patients throughout the United States. Existing practice parameters and technical standards will be reviewed for revision or renewal, as appropriate, on their fifth anniversary or sooner, if indicated.

Each practice parameter and technical standard, representing a policy statement by the College, has undergone a thorough consensus process in which it has been subjected to extensive review and approval. The practice parameters and technical standards recognize that the safe and effective use of diagnostic and therapeutic radiology requires specific training, skills, and techniques, as described in each document. Reproduction or modification of the published practice parameter and technical standard by those entities not providing these services is not authorized.

Amended 2014 (Resolution 39)*

ACR PRACTICE PARAMETER FOR PERFORMING AND INTERPRETING MAGNETIC RESONANCE IMAGING (MRI)

PREAMBLE

This document is an educational tool designed to assist practitioners in providing appropriate radiologic care for patients. Practice Parameters and Technical Standards are not inflexible rules or requirements of practice and are not intended, nor should they be used, to establish a legal standard of care[1]. For these reasons and those set forth below, the American College of Radiology and our collaborating medical specialty societies caution against the use of these documents in litigation in which the clinical decisions of a practitioner are called into question.

The ultimate judgment regarding the propriety of any specific procedure or course of action must be made by the practitioner in light of all the circumstances presented. Thus, an approach that differs from the guidance in this document, standing alone, does not necessarily imply that the approach was below the standard of care. To the contrary, a conscientious practitioner may responsibly adopt a course of action different from that set forth in this document when, in the reasonable judgment of the practitioner, such course of action is indicated by the condition of the patient, limitations of available resources, or advances in knowledge or technology subsequent to publication of this document. However, a practitioner who employs an approach substantially different from the guidance in this document is advised to document in the patient record information sufficient to explain the approach taken.

The practice of medicine involves not only the science, but also the art of dealing with the prevention, diagnosis, alleviation, and treatment of disease. The variety and complexity of human conditions make it impossible to always reach the most appropriate diagnosis or to predict with certainty a particular response to treatment. Therefore, it should be recognized that adherence to the guidance in this document will not assure an accurate diagnosis or a successful outcome. All that should be expected is that the practitioner will follow a reasonable course of action based on current knowledge, available resources, and the needs of the patient to deliver effective and safe medical care. The sole purpose of this document is to assist practitioners in achieving this objective.

[1] Iowa Medical Society and Iowa Society of Anesthesiologists v. Iowa Board of Nursing, ___ N.W.2d ___ (Iowa 2013) Iowa Supreme Court refuses to find that the *ACR Technical Standard for Management of the Use of Radiation in Fluoroscopic Procedures* (Revised 2008) sets a national standard for who may perform fluoroscopic procedures in light of the standard's stated purpose that ACR standards are educational tools and not intended to establish a legal standard of care. See also, Stanley v. McCarver, 63 P.3d 1076 (Ariz. App. 2003) where in a concurring opinion the Court stated that "published standards or guidelines of specialty medical organizations are useful in determining the duty owed or the standard of care applicable in a given situation" even though ACR standards themselves do not establish the standard of care.

I. INTRODUCTION

Magnetic resonance imaging (MRI) is a multiplanar imaging method based on an interaction between radiofrequency (RF) electromagnetic fields and certain nuclei in the body (usually hydrogen nuclei) after the body has been placed in a strong magnetic field[2]. MRI differentiates between normal and abnormal tissues, providing a sensitive examination to detect disease. This sensitivity is based on the high degree of inherent contrast due to variations in the magnetic relaxation properties of different tissues, both normal and diseased, and the dependence of the MRI signal on these tissue properties.

II. QUALIFICATIONS AND RESPONSIBILITIES OF PERSONNEL

A. Physician

A physician must be responsible for all aspects of the study including, but not limited to, reviewing indications for the examination, specifying the pulse sequences to be performed, specifying the use and dosage of contrast agents, interpreting images, generating official interpretations (final reports), and assuring the quality of the images and the interpretations.

Physicians assuming these responsibilities for MR imaging of all anatomical areas (exclusive of cardiac MRI) should meet one of the following criteria:

Certification in Radiology or Diagnostic Radiology by the American Board of Radiology, the American Osteopathic Board of Radiology, the Royal College of Physicians and Surgeons of Canada, or the Collège des Médecins du Québec, and involvement with the supervision, interpretation, and reporting of 300 MRI examinations within the last 36 months[3].

or

Completion of a diagnostic radiology residency program approved by the Accreditation Council for Graduate Medical Education (ACGME), the Royal College of Physicians and Surgeons of Canada (RCPSC), the Collège des Médecins du Québec, or the American Osteopathic Association (AOA) to include involvement with the supervision, interpretation, and reporting of 500 MRI examinations in the past 36 months.

or

Physicians not board certified in radiology or not trained in a diagnostic radiology residency program who assumes these responsibilities for MR imaging exclusively in a specific anatomical area, excluding cardiac MRI, should meet the following criteria:

Completion of an ACGME approved residency program in the specialty practiced, plus 200 hours of Category I CME in MRI to include, but not limited to: MRI physics, recognition of MRI artifacts, safety, instrumentation, and clinical applications of MRI in the subspecialty area where MRI reading occurs; and supervision, interpretation, and reporting of 500 MRI cases in that specialty area in the past 36 months in a supervised situation. For neurologic MRI, at least 50 of the 500 cases must have been MR angiography (MRA) of the central nervous system.

Specific qualifications for physicians performing cardiac MRI are described in the <u>ACR–NASCI–SPR Practice Parameter for the Performance and Interpretation of Cardiac MRI</u>.

Maintenance of Competence

All physicians performing MRI examinations should demonstrate evidence of continuing competence in the interpretation and reporting of those examinations. If competence is assured primarily on the basis of continuing experience, a minimum of 100 examinations per year is recommended in order to maintain the physician's skills. Because a physician's practice or location may preclude this method, continued competency can also be assured

---

[2]See ACR Glossary of MR Terms, 5th edition, 2005.

[3]Board certification and completion of an accredited radiology residency in the past 24 months will be presumed to be satisfactory experience for the reporting and interpreting requirement.

through monitoring and evaluation that indicates acceptable technical success, accuracy of interpretation, and appropriateness of evaluation.

Continuing Medical Education

The physician's continuing education should be in accordance with the ACR Practice Parameter for Continuing Medical Education (CME) and should include CME in MRI as is appropriate to the physician's practice needs.

B. Medical Physicist / MR Scientist

The personnel qualified to carry out acceptance testing and monitoring of MRI equipment for the purposes of this practice parameter include a medical physicist or an MR scientist.

A Qualified Medical Physicist is an individual who is competent to practice independently one or more subfields in medical physics. The American College of Radiology (ACR) considers certification, continuing education, and experience in the appropriate subfield(s) to demonstrate that an individual is competent to practice in one or more subfields in medical physics, and to be a Qualified Medical Physicist. The ACR strongly recommends that the individual be certified in the appropriate subfield(s) by the American Board of Radiology (ABR), the Canadian College of Physics in Medicine, or by the American Board of Medical Physics (ABMP).

The Qualified Medical Physicist should meet the ACR Practice Parameter for Continuing Medical Education (CME). (ACR Resolution 17, 1996 – revised in 2012, Resolution 42)

The appropriate subfield of medical physics for this practice parameter is Diagnostic Medical Physics. (Previous medical physics certification categories including Radiological Physics, Diagnostic Radiological Physics, and Diagnostic Imaging Physics are also acceptable.)

A Qualified MR Scientist is an individual who has a graduate degree in a physical science involving nuclear magnetic resonance (NMR) or MRI. These individuals should have 3 years of documented experience in a clinical MR environment.

The medical physicist/MR scientist must be familiar with the principles of MRI safety for patients, personnel, and the public; the Food and Drug Administration's guidance for MR diagnostic devices; and other regulations pertaining to the performance of the equipment being monitored. The medical physicist/MR scientist must be knowledgeable in the field of nuclear MR physics and familiar with MRI technology, including function, clinical uses, and performance specifications of MRI equipment, as well as calibration processes and limitations of the performance testing hardware, procedures, and algorithms. The medical physicist/MR scientist must have a working understanding of clinical imaging protocols and methods of their optimization. This proficiency must be maintained by participation in continuing education programs of sufficient frequency to ensure familiarity with current concepts, equipment, and procedures.

The medical physicist/MR scientist may be assisted in obtaining test data for performance monitoring by other properly trained individuals. These individuals must be properly trained and approved by the medical physicist/MR scientist in the techniques of performing the tests, the function and limitations of the imaging equipment and test instruments, the reason for the tests, and the importance of the test results. The medical physicist/MR scientist must review and approve all measurements. The MR scientist should meet the ACR Practice Parameter for Continuing Medical Education (CME).

C. Registered Radiologist Assistant

A registered radiologist assistant is an advanced level radiographer who is certified and registered as a radiologist assistant by the American Registry of Radiologic Technologists (ARRT) after having successfully completed an advanced academic program encompassing an ACR/ASRT (American Society of Radiologic Technologists) radiologist assistant curriculum and a radiologist-directed clinical preceptorship. Under radiologist supervision, the radiologist assistant may perform patient assessment, patient management, and selected examinations as delineated in the Joint Policy Statement of the ACR and the ASRT titled "Radiologist Assistant: Roles and Responsibilities" and as allowed by state law. The radiologist assistant transmits to the supervising radiologists those observations that have a bearing on diagnosis. Performance of diagnostic interpretations remains outside the scope of practice of the radiologist assistant. (ACR Resolution 34, adopted in 2006) [1]

D. Radiology Technologist

The technologist should participate in assuring patient comfort and safety, preparing and positioning the patient for the MRI examination, and obtaining the MRI data in a manner suitable for interpretation by the physician. The technologist should also perform frequent quality control testing in accordance with the MRI manufacturer's recommendations.

The technologist performing MRI should:

1. Be certified by the American Registry of Radiologic Technologists (ARRT), the American Registry of MRI Technologists (ARMRIT), or the Canadian Association of Medical Radiation Technologists (CAMRT) as an MRI technologist (RTMR).

   or

2. Be certified by the ARRT and/or have appropriate state licensure and have 6 months supervised clinical experience in MRI scanning.

   or

3. Have an associate's degree in an allied health field or a bachelor's degree and certification in another clinical imaging field and have 6 months of supervised clinical MRI scanning.

To assure competence, the responsible physician should evaluate any technologist who began performing MRI prior to October 1996 and who does not meet the above criteria.

Any technologist practicing MRI scanning should be licensed in the jurisdiction in which he/she practices, if state licensure exists. To assure competence, all technologists must be evaluated by the supervising physician.

III. TECHNIQUES AND INDICATIONS

The currently accepted techniques and indications for MRI are discussed in various ACR practice parameters that are based on anatomic sites of examination. It is important that each site offering MRI have documented procedures and technical expertise and appropriate equipment to examine each anatomic site. Because the clinical applications of MRI continue to expand, the enumerated techniques and indications in the reference documents may not be all-inclusive.

Each site's procedures should be reviewed and updated at appropriate intervals. The final judgment regarding appropriateness of a given examination for a particular patient is the responsibility of the ordering physician or other appropriately licensed health care provider and radiologist. The decision to use MRI to scan a particular part of the human body depends on the MRI software and hardware available and the relative cost, efficacy, and availability of alternative imaging methods. The examination should provide images with suitable contrast characteristics, spatial resolution, signal-to-noise ratio, and section geometry appropriate to the specific clinical indications.

IV. POSSIBLE CONTRAINDICATIONS

Possible contraindications include, but are not limited to, the presence of cardiac pacemakers, ferromagnetic intracranial aneurysm clips, certain neurostimulators, certain cochlear implants, and certain other ferromagnetic foreign bodies or electronic devices [2-5]. Possible contraindications should be listed on a screening questionnaire. All patients should be screened for possible contraindications prior to MRI scanning [6-7]. Published test results and/or on-site testing of an identical device or foreign body may be helpful to determine whether a patient with a particular medical device or foreign body may be safely scanned. There is no known adverse effect of MRI on the fetus. The decision to scan during pregnancy should be made on an individual basis [8].

V. SPECIFICATIONS OF THE EXAMINATION

The examination should be performed within parameters currently approved by the FDA. Examinations that use techniques not approved by the FDA may be considered when they are judged to be medically appropriate.

The written or electronic request for an MRI examination should provide sufficient information to demonstrate the medical necessity of the examination and allow for its proper performance and interpretation of the examination.

Documentation that satisfies medical necessity includes 1) signs and symptoms and/or 2) relevant history (including known diagnoses). Additional information regarding the specific reason for the examination or a provisional diagnosis would be helpful and may at times be needed to allow for the proper performance and interpretation of the examination.

The request for the examination must be originated by a physician or other appropriately licensed health care provider. The accompanying clinical information should be provided by a physician or other appropriately licensed health care provider familiar with the patient's clinical problem or question and consistent with the state's scope of practice requirements. (ACR Resolution 35, adopted in 2006)

Images should be labeled with the following: a) patient identification, b) facility identification, c) examination date, and d) image orientation indicated by unambiguous polarity symbols (e.g., R, L, A, P, H, F).

VI. DOCUMENTATION

High-quality patient care requires adequate documentation. There should be a permanent record of the MRI examination and its interpretation. Imaging of all appropriate areas, both normal and abnormal, should be recorded in a suitable archival format. If contrast material is administered during the MRI examination, the brand name of the contrast agent and the administered dose should be recorded and included in the permanent record of the MRI examination. An official interpretation (final report) of the MRI findings should be included in the patient's medical record regardless of where the study is performed. Retention of the MRI examination should be consistent both with clinical need and with relevant legal and local health care facility requirements.

Reporting should be in accordance with the ACR Practice Parameter for Communication of Diagnostic Imaging Findings.

VII. SAFETY GUIDELINES

Safety guidelines, practices, and policies must be written, enforced, reviewed, and documented at least annually by the supervising physician. These guidelines should take into consideration potential magnetic field interactions for ferromagnetic objects in the MRI environment [9]. They should also consider potential patient hazards (e.g., from magnetic field interactions, tissue heating, and induced electrical currents) and potential hazards posed by implanted objects and materials within the patient as well as other individuals in the MR environment [4-5].

A screening program should be implemented to assure appropriate and safe use of MR contrast material and to reduce the risk of nephrogenic systemic fibrosis (NSF) [10-11]. For further information on ACR screening recommendations see the ACR Manual on Contrast Media [12] and the ACR Guidance Document on MR Safe Practices [8]. Peer-reviewed literature pertaining to MR safety should be reviewed on a regular basis.

In pregnancy, gadolinium-based contrast agents (GBCAs) cross the placental barrier, enter the fetal circulation, and pass via the kidneys into the amniotic fluid. Although no definite adverse effects of GBCA administration on the human fetus have been documented, the potential bioeffects of fetal GBCA exposure are not well understood.

GBCA administration should therefore be avoided during pregnancy unless no suitable alternative imaging is possible and the benefits of contrast administration outweigh the potential risk to the fetus. (See the ACR–SPR Practice Parameter for the Safe and Optimal Performance of Fetal MRI).

When GBCAs are administered to nursing women, a small amount of the contrast agent is excreted in the breast milk. It is unlikely that the minute amount of GBCA absorbed by a nursing infant's gastrointestinal tract will be harmful. If there is concern on the part of the referring physician, radiologist, or patient, the nursing mother can be advised to discard her breast milk for 24 hours after GBCA administration.

When contrast and/or sedation are necessary, they must be administered in accordance with institutional policy and state and federal law by a qualified practitioner with training in cardiopulmonary resuscitation [13]. (See the ACR–SPR Practice Parameter for the Use of Intravascular Contrast Media and the ACR–SIR Practice Parameter for Sedation/Analgesia.)

Appropriate emergency equipment and medications must be immediately available to treat adverse reactions associated with administered medications. The equipment and medications should be monitored for inventory and drug expiration dates on a regular basis. The equipment, medications, and other emergency support must also be appropriate for the range of ages and sizes in the patient population.

VIII. EQUIPMENT SPECIFICATIONS

The MRI equipment specifications and performance must meet all state and federal requirements. The requirements include, but are not limited to, specifications of maximum static magnetic field strength, maximum rate of change of magnetic field strength (dB/dt), maximum radiofrequency power deposition (specific absorption rate), and maximum acoustic noise levels.

IX. QUALITY CONTROL PROGRAM

A documented quality control program must be maintained at the MR site. Quality control testing should be conducted by the technologist and/or service engineer with review at least annually by the supervising physician and/or a medical physicist/MR scientist [14-16].

X. QUALITY CONTROL AND IMPROVEMENT, SAFETY, INFECTION CONTROL, AND PATIENT EDUCATION

Policies and procedures related to quality, patient education, infection control, and safety should be developed and implemented in accordance with the ACR Policy on Quality Control and Improvement, Safety, Infection Control, and Patient Education appearing under the heading *Position Statement on QC & Improvement, Safety, Infection Control, and Patient Education* on the ACR website (http://www.acr.org/guidelines).

Equipment performance monitoring should be in accordance with the ACR–AAPM Technical Standard for Diagnostic Medical Physics Performance Monitoring of Magnetic Resonance Imaging (MRI) Equipment.

ACKNOWLEDGEMENTS

This guideline was revised according to the process described under the heading *The Process for Developing ACR Practice Guidelines and Technical Standards* on the ACR website (http://www.acr.org/guidelines) by the ACR Commission on Body Imaging.

Principal Reviewer
Jeffrey J. Brown, MD, MBA, FACR

Commission on Body Imaging
(ACR Committee responsible for sponsoring the draft through the process)

James A. Brink, MD, FACR, Chair
Lincoln L. Berland, MD, FACR
Steven E. Harms, MD, FACR
Ella A. Kazerooni, MD, FACR
Mark J. Kransdorf, MD, FACR
Joel F. Platt, MD
Geoffrey D. Rubin, MD
Bill H. Warren, MD, FACR
Judy Yee, MD

Comments Reconciliation Committee
Rodney S. Owen, MD, FACR, Chair
Kimberly E. Applegate, MD, MS, FACR
James A. Brink, MD, FACR
Jeffrey J. Brown, MD, MBA, FACR
Philip N. Cascade, MD, FACR
Howard B. Fleishon, MD, MMM, FACR
Allan J. Fox, MD
Alan D. Kaye, MD, FACR
Paul A. Larson, MD, FACR

REFERENCES

1. ACR ASRT joint statement. Radiologist assistant roles and responsibilities. *Digest of Council Actions*. Reston, Va: American College of Radiology; 2008:147.
2. Kanal E, Shellock FG. Aneurysm clips: effects of long-term and multiple exposures to a 1.5-T MR system. *Radiology* 1999;210:563-565.
3. Kanal E, Shellock FG, Lewin JS. Aneurysm clip testing for ferromagnetic properties: clip variability issues. *Radiology* 1996;200:576-578.
4. Shellock FG. *Magnetic Resonance Procedures: Health Effects and Safety*. Boca Raton, Fla: CRC Press; 2000.
5. Shellock FG. *The Reference Manual for Magnetic Resonance Safety. Implants and Devices 2010*. Los Angeles, Calif: Biomedical Research Publishing Company; 2010.
6. Elster AD, Link KM, Carr JJ. Patient screening prior to MR imaging: a practical approach synthesized from protocols at 15 U. S. medical centers. *AJR* 1994;162:195-199.
7. Sawyer-Glover AM, Shellock FG. Pre-MRI procedure screening: recommendations and safety considerations for biomedical implants and devices. *J Magn Reson Imaging* 2000;12:510.
8. Kanal E, Barkovich AJ, Bell C, et al. ACR guidance document for safe MR practices: 2007. *AJR* 2007;188:1447-1474.
9. Hartwig V, Giovannetti G, Vanello N, Lombardi M, Landini L, Simi S. Biological effects and safety in magnetic resonance imaging: a review. *Int J Environ Res Public Health* 2009;6:1778-1798.
10. Weinreb JC, Kuo PH. Nephrogenic systemic fibrosis. *Magn Reson Imaging Clin N Am* 2009;17:159-167.
11. Kuo PH. Gadolinium-containing MRI contrast agents: important variations on a theme for NSF. *J Am Coll Radiol* 2008;5:29-35.
12. American College of Radiology. Manual on Contrast Media, Version 7; 2010. http://www.acr.org/SecondaryMainMenu Categories/quality_safety/contrast_manual.aspx. (accessed July 12, 2010)
13. Cutter TW. Radiologists and anesthesiologists. *Anesthesiol Clin* 2009;27:95-106.
14. Bourel P, Gibon D, Coste E, Daanen V, Rousseau J. Automatic quality assessment protocol for MRI equipment. *Med Phys* 1999;26:2693-2700.
15. Price RR, Axel L, Morgan T, et al. Quality assurance methods and phantoms for magnetic resonance imaging: report of AAPM nuclear magnetic resonance Task Group No. 1. *Med Phys* 1990;17:287-295.

16. Wood ML, Price RR. Quality control problems for MRI. In: Sprawls P, Bronskill M, ed. *The Physics of MRI: AAPM summer school proceedings 1992*. New York, NY: American Institute of Physics; 1992:718-753.

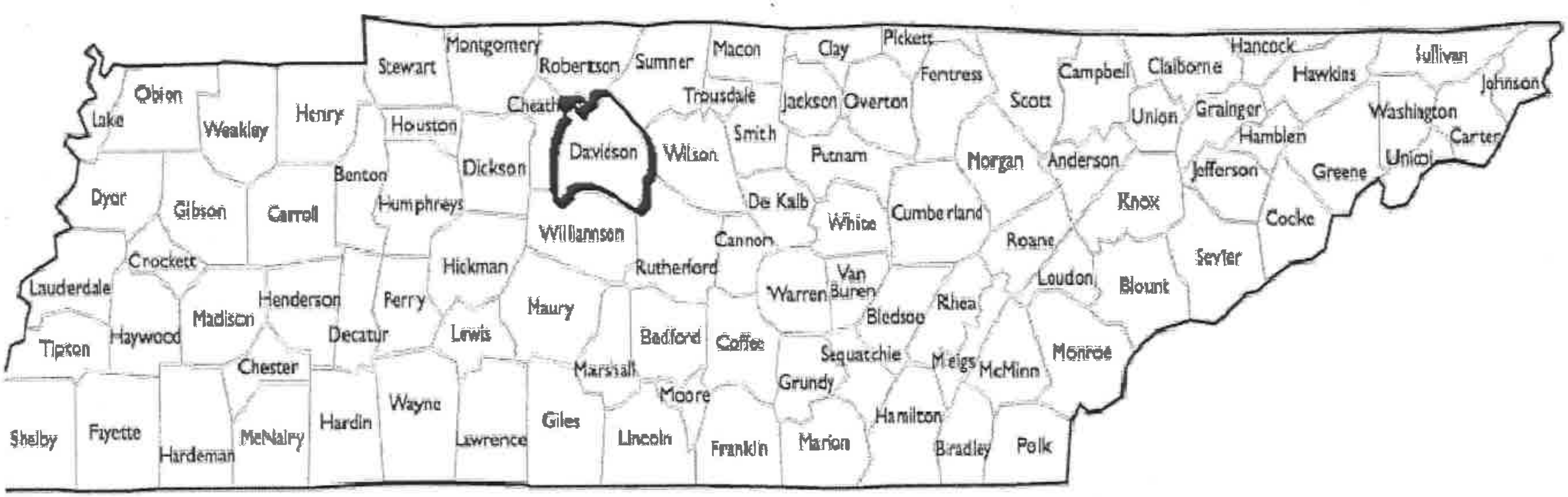
*Practice parameters and technical standards are published annually with an effective date of October 1 in the year in which amended, revised or approved by the ACR Council. For practice parameters and technical standards published before 1999, the effective date was January 1 following the year in which the practice parameter or technical standard was amended, revised, or approved by the ACR Council.

<u>Development Chronology for this Practice Parameter</u>

1992 (Resolution 14)
Amended 1995 (Resolution 53)
Revised 1996 (Resolution 1)
Revised 2000 (Resolution 16)
Revised 2001 (Resolution 12)
Amended 2002 (Resolution 2)
Revised 2006 (Resolution 15,16g,34,35,36)
Revised 2011 (Resolution 19)
Amended 2014 (Resolution 39)

Section C: General Criteria for Certificate of Need – Need.3

Service Area Map



Lake
Obion
Weakley
Henry
Stewart
Montgomery
Robertson
Sumner
Macon
Clay
Pickett
Fentress
Scott
Campbell
Claiborne
Hancock
Hawkins
Sullivan
Johnson
Washington
Carter
Unicoi
Greene
Hamblen
Grainger
Union
Jefferson
Cocke
Sevier
Knox
Anderson
Morgan
Overton
Jackson
Trousdale
Smith
Cheatham
Davidson
Wilson
Houston
Benton
Dickson
Humphreys
Dyer
Gibson
Carroll
Crockett
Lauderdale
Tipton
Haywood
Madison
Henderson
Chester
Decatur
Perry
Hickman
Williamson
Rutherford
Cannon
De Kalb
Putnam
White
Cumberland
Roane
Loudon
Blount
Van Buren
Warren
Bledsoe
Rhea
Meigs
McMinn
Monroe
Maury
Lewis
Marshall
Bedford
Coffee
Sequatchie
Grundy
Moore
Hamilton
Bradley
Polk
Shelby
Fayette
Hardeman
McNairy
Hardin
Wayne
Lawrence
Giles
Lincoln
Franklin
Marion

Section C: Economic Feasibility - 2

Documentation from CFO

Saint Thomas Health

August 13, 2015

Ms. Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application – Howell Allen Clinic

Dear Ms. Hill,

Saint Thomas Health has a centralized cash management program for managing and investing operating funds for all Saint Thomas Health hospitals and clinics, including Howell Allen Clinic. This letter is to confirm Saint Thomas Health has available more than sufficient resources to fund the projected CON cost of $2.2 million required to acquire the MRI and initiate MRI services in association with the acquisition of Howell Allen Clinic.

Thank you for your attention to this matter.

Sincerely,

Lisa Davis

Lisa Davis
Interim Chief Financial Officer

102 Woodmont Blvd., Suite 800
Woodmont Centre
Nashville, TN 37205
SaintThomasHealth.com

Section C: Economic Feasibility - 4

Historical and Projected Data Chart

HISTORICAL DATA CHART (Saint Thomas)

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in July.

	Year 2014	Year 2013	Year 2012
A. Utilization Data (Procedures Performed)	NA	NA	NA
B. Revenue from Services to Patients			
1. Inpatient Services	$2,443,243,000	$2,424,787,000	$2,220,562,000
2. Outpatient Services	1,798,026,000	1,636,087,000	1,551,831,000
3. Emergency Services	*	*	*
4. Other Operating Revenue (Specify) ______	94,846,000	100,610,000	101,037,000
Gross Operating Revenue	**$4,336,115,000**	**$4,161,484,000**	**$3,873,430,000**
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	2,830,061,000	2,651,974,000	2,366,233,000
2. Provision for Charity Care	238,974,000	251,784,000	241,958,000
3. Provisions for Bad Debt	**	**	**
Total Deductions	**$3,069,035,000**	**$2,903,758,000**	**$2,608,191,000**
NET OPERATING REVENUE	**$1,267,080,000**	**$1,257,726,000**	**$1,265,239,000**
D. Operating Expenses			
1. Salaries and Wages	481,190,000	509,971,000	517,858,000
2. Physician's Salaries and Wages			
3. Supplies	230,190,000	232,769,000	231,069,000
4. Taxes			
5. Depreciation			
6. Rent			
7. Interest other than Capital			
8. Management Fees:			
a. Fees to Affiliates			
b. Fees to Non-Affiliates			
9. Other Expenses (Specify)_____	449,495,000	453,186,000	450,177,000
Total Operating Expenses	**$1,160,875,000**	**$1,195,926,000**	**$1,199,104,000**
E. Other Revenue (Expenses) – Net (Specify)	70,021,000	40,849,000	31,209,000
NET OPERATING INCOME (LOSS)	**$176,226,000**	**$102,649,000**	**$ 97,344,000**
f. Capital Expenditures			
1. Retirement of Principal	6,976,000	3,712,000	3,564,000
2. Interest			
Total Capital Expenditures	**$ 6,976,000**	**$ 3,712,000**	**$ 3,564,000**
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**$ 169,250,000**	**$ 98,937,000**	**$ 93,780,000**

* Included in Outpatient Services

** Included in Charity Care

HISTORICAL DATA CHART (MRI Only)

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year for the prior operator of the MRI begins in January.

		Year 2014	Year 2013	Year 2012
A.	Utilization Data (Procedures Performed)	4,104	3,906	4,258
B.	Revenue from Services to Patients			
	1. Inpatient Services			
	2. Outpatient Services	$6,725,391	$6,509,843	$6,873,399
	3. Emergency Services			
	4. Other Operating Revenue (Specify) ______________			
	Gross Operating Revenue	**$6,725,391**	**$6,509,843**	**$6,873,399**
C.	Deductions from Gross Operating Revenue			
	1. Contractual Adjustments	4,473,103	4,172,280	4,325,775
	2. Provision for Charity Care			
	3. Provisions for Bad Debt			
	Total Deductions	**$4,473,103**	**$4,172,280**	**$4,325,775**
NET OPERATING REVENUE		**2,252,288**	**2,337,563**	**2,547,624**
D.	Operating Expenses			
	1. Salaries and Wages	359,560	369,226	397,704
	2. Physician's Salaries and Wages			
	3. Supplies	137,185	141,222	112,559
	4. Taxes			
	5. Depreciation			
	6. Rent			
	7. Interest other than Capital			
	8. Management Fees:			
	a. Fees to Affiliates			
	b. Fees to Non-Affiliates			
	9. Other Expenses (Specify)______________	933,017	903,410	1,031,867
8	**Total Operating Expenses**	**$1,429,762**	**$1,413,858**	**$1,542,130**
E.	Other Revenue (Expenses) – Net (Specify)			
NET OPERATING INCOME (LOSS)		822,526	923,705	1,005,494
f.	Capital Expenditures			
	1. Retirement of Principal			
	2. Interest			
	Total Capital Expenditures			
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES		**$ 822,526**	**$ 923,705**	**$ 1,005,494**

PROJECTED DATA CHART (MRI)

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month).

		Year 2016	Year 2017
A.	Utilization Data (Procedures Performed)	4,104	4,104
B.	Revenue from Services to Patients		
	1. Inpatient Services		
	2. Outpatient Services	$7,134,968	$7,349,017
	3. Emergency Services		
	4. Other Operating Revenue (Specify) ________________		
	Gross Operating Revenue	**$7,134,968**	**$7,349,017**
C.	Deductions from Gross Operating Revenue		
	1. Contractual Adjustments	4,745,515	4,887,880
	2. Provision for Charity Care		
	3. Provisions for Bad Debt		
	Total Deductions	**$4,745,515**	**$4,887,880**
NET OPERATING REVENUE		**$2,389,452**	**$2,461,136**
D.	Operating Expenses		
	1. Salaries and Wages	381,457	392,901
	2. Physician's Salaries and Wages		
	3. Supplies	145,540	149,906
	4. Taxes		
	5. Depreciation		
	6. Rent		
	7. Interest other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates		
	b. Fees to Non-Affiliates		
	9. Other Expenses (Specify)_____	999,838	1,029,833
	Total Operating Expenses	**$1,526,835**	**$1,572,640**
E.	Other Revenue (Expenses) – Net (Specify)		
NET OPERATING INCOME (LOSS)		**$872,617**	**$898,796**
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest		
	Total Capital Expenditures		
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES		**$872,617**	**$898,796**

Section C: Economic Feasibility – 10

Applicant's Balance Sheet and Income Statement

Consolidated Financial Statements and Supplementary Information

Ascension Health Alliance
d/b/a Ascension
Years Ended June 30, 2014 and 2013
With Reports of Independent Auditors

Ascension

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2014 and 2013

Contents

EY
Building a better working world

Ernst & Young LLP
The Plaza in Clayton
Suite 1300
190 Carondelet Plaza
St. Louis, MO 63105-3434

Tel: +1 314 290 1000
Fax: +1 314 290 1882
ey.com

Report of Independent Auditors

The Board of Directors
Ascension Health Alliance d/b/a Ascension

We have audited the accompanying consolidated financial statements of Ascension Health Alliance d/b/a Ascension, which comprise the consolidated balance sheets as of June 30, 2014 and 2013, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better
working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ascension Health d/b/a Ascension at June 30, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

September 11, 2014

Ascension

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30, 2014	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ **618,418**	$ 753,555
Short-term investments	**109,081**	113,825
Accounts receivable, less allowance for doubtful accounts ($1,260,407 and $1,297,609 at June 30, 2014 and 2013, respectively)	**2,419,616**	2,292,521
Inventories	**332,739**	297,233
Due from brokers *(see Notes 4 and 5)*	**343,757**	178,380
Estimated third-party payor settlements	**236,559**	119,379
Other *(see Notes 4 and 5)*	**562,367**	1,026,397
Total current assets	**4,622,537**	4,781,290
Long-term investments *(see Notes 4 and 5)*	**15,327,255**	14,156,447
Property and equipment, net	**8,410,629**	8,274,854
Other assets:		
Investment in unconsolidated entities	**649,888**	628,772
Capitalized software costs, net	**778,705**	718,122
Other	**1,509,849**	1,487,886
Total other assets	**2,938,442**	2,834,780
Total assets	$ **31,298,863**	$ 30,047,371

1403-1210450

	June 30, 2014	June 30, 2013
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$ **91,532**	$ 89,869
Long-term debt subject to short-term remarketing arrangements*	**1,345,530**	1,187,125
Accounts payable and accrued liabilities	**2,293,663**	2,278,242
Estimated third-party payor settlements	**450,054**	455,432
Due to brokers *(see Notes 4 and 5)*	**332,169**	493,420
Current portion of self-insurance liabilities	**226,856**	210,115
Other *(see Notes 4 and 5)*	**274,645**	639,566
Total current liabilities	**5,014,449**	5,353,769
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**4,994,913**	5,278,304
Self-insurance liabilities	**541,859**	553,706
Pension and other postretirement liabilities	**428,679**	554,368
Other *(see Notes 4 and 5)*	**1,343,826**	1,178,597
Total noncurrent liabilities	**7,309,277**	7,564,975
Total liabilities	**12,323,726**	12,918,744
Net assets:		
Unrestricted		
Controlling interest	**16,736,190**	14,986,302
Noncontrolling interests	**1,656,106**	1,592,356
Unrestricted net assets	**18,392,296**	16,578,658
Temporarily restricted	**391,226**	375,054
Permanently restricted	**191,615**	174,915
Total net assets	**18,975,137**	17,128,627
Total liabilities and net assets	$ **31,298,863**	$ 30,047,371

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to June 30, 2015. In the event that bonds are not remarketed upon the exercise of put options or the scheduled mandatory tenders, management would utilize other sources to access the necessary liquidity. Potential sources include liquidating investments, drawing upon the $1 billion line of credit, and issuing commercial paper. The commercial paper program is supported by the $1 billion line of credit.

The accompanying notes are an integral part of the consolidated financial statements.

Ascension

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year Ended June 30, 2014	2013
Operating revenue:		
Net patient service revenue	$ 19,193,307	$ 16,326,684
Less provision for doubtful accounts	1,273,354	1,124,409
Net patient service revenue, less provision for doubtful accounts	17,919,953	15,202,275
Other revenue	2,229,767	1,334,623
Total operating revenue	20,149,720	16,536,898
Operating expenses:		
Salaries and wages	8,202,294	6,974,951
Employee benefits	1,747,739	1,528,119
Purchased services	1,210,276	955,440
Professional fees	1,279,459	1,093,446
Supplies	2,822,102	2,334,427
Insurance	128,535	109,178
Interest	194,616	150,877
Depreciation and amortization	899,389	730,757
Other	2,901,859	2,140,182
Total operating expenses before impairment, restructuring and nonrecurring losses, net	19,386,269	16,017,377
Income from operations before self-insurance trust fund investment return and impairment, restructuring, and nonrecurring losses, net	763,451	519,521
Self-insurance trust fund investment return	66,174	34,985
Impairment, restructuring and nonrecurring losses, net	(223,834)	(103,344)
Income from operations	605,791	451,162
Nonoperating gains (losses):		
Investment return	1,515,819	736,300
Loss on extinguishment of debt	(1,605)	(4,079)
(Loss) gain on interest rate swaps	(6,020)	53,746
Income from unconsolidated entities	5,539	8,544
Contributions from business combinations, net	–	2,021,963
Other	(63,119)	(69,524)
Total nonoperating gains, net	1,450,614	2,746,950
Excess of revenues and gains over expenses and losses	2,056,405	3,198,112
Less noncontrolling interests	245,893	131,184
Excess of revenues and gains over expenses and losses attributable to controlling interest	1,810,512	3,066,928

Continued on next page.

Ascension

Consolidated Statements of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

	Year Ended June 30, 2014	2013
Unrestricted net assets, controlling interest:		
Excess of revenues and gains over expenses and losses	$ 1,810,512	$ 3,066,928
Transfers to sponsors and other affiliates, net	(6,566)	(9,152)
Contributed net assets	(1,534)	(1,050)
Membership interest changes, net	45,255	–
Net assets released from restrictions for property acquisitions	62,537	65,706
Pension and other postretirement liability adjustments	23,990	76,483
Change in unconsolidated entities' net assets	4,571	23,295
Other	(24,514)	4,507
Increase in unrestricted net assets, controlling interest, before loss from discontinued operations	1,914,251	3,226,717
Loss from discontinued operations	(164,363)	(76,829)
Increase in unrestricted net assets, controlling interest	1,749,888	3,149,888
Unrestricted net assets, noncontrolling interests:		
Excess of revenues and gains over expenses and losses	245,893	131,184
Distributions of capital	(531,159)	(829,989)
Contributions of capital	401,546	1,579,187
Membership interest changes, net	(52,530)	–
Contributions from business combinations	–	64,738
Increase in unrestricted net assets, noncontrolling interests	63,750	945,120
Temporarily restricted net assets, controlling interest:		
Contributions and grants	99,885	88,841
Investment return	31,292	17,232
Net assets released from restrictions	(115,353)	(108,193)
Contributions from business combinations	–	44,201
Other	348	1,088
Increase in temporarily restricted net assets, controlling interest	16,172	43,169
Permanently restricted net assets, controlling interest:		
Contributions	10,405	2,664
Investment return	7,942	1,598
Contributions from business combinations	–	67,846
Other	(1,647)	(368)
Increase in permanently restricted net assets, controlling interest	16,700	71,740
Increase in net assets	1,846,510	4,209,917
Net assets, beginning of year	17,128,627	12,918,710
Net assets, end of year	$ 18,975,137	$ 17,128,627

The accompanying notes are an integral part of the consolidated financial statements.

Ascension

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30, 2014	2013
Operating activities		
Increase in net assets	$ 1,846,510	$ 4,209,917
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	899,389	730,757
Amortization of bond premiums	(22,497)	(13,948)
Loss on extinguishment of debt	1,605	4,079
Provision for doubtful accounts	1,275,961	1,128,717
Pension and other postretirement liability adjustments	(23,990)	(76,483)
Contributed net assets	1,534	1,050
Contributions from business combinations	–	(1,742,900)
Interest, dividends, and net (gains) losses on investments	(1,621,227)	(790,115)
Change in market value of interest rate swaps	1,880	(61,349)
Deferred gain on interest rate swaps	(303)	(303)
Gain on sale of assets, net	(25,556)	(4,008)
Impairment and nonrecurring expenses	30,353	17,259
Transfers to sponsor and other affiliates, net	6,566	9,152
Restricted contributions, investment return, and other	(122,232)	(98,755)
Other restricted activity	6,362	15,965
Nonoperating depreciation expense	234	317
(Increase) decrease in:		
Short-term investments	4,744	212,624
Accounts receivable	(1,393,667)	(1,134,828)
Inventories and other current assets	437,913	(213,753)
Due from brokers	(165,377)	610,891
Investments classified as trading	466,353	(959,888)
Other assets	(186,983)	(182,693)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(685)	(2,009)
Estimated third-party payor settlements, net	(124,475)	30,604
Due to brokers	(161,251)	(387,193)
Other current liabilities	(357,167)	91,435
Self-insurance liabilities	4,894	(15,342)
Other noncurrent liabilities	60,731	(153,420)
Net cash provided by continuing operating activities	839,619	1,225,780
Net cash provided by (used in) and adjustments to reconcile change in net assets for discontinued operations, including write-down of assets	126,554	(19,386)
Net cash provided by operating activities	966,173	1,206,394

Continued on next page.

Ascension

Consolidated Statements of Cash Flows (continued)

(Dollars in Thousands)

	Year Ended June 30, 2014	2013
Investing activities		
Property, equipment, and capitalized software additions, net	**$ (1,102,680)**	$ (871,203)
Proceeds from sale of property and equipment	**15,594**	26,321
Net cash used in investing activities	**(1,087,086)**	(844,882)
Financing activities		
Issuance of long-term debt	**512,231**	1,228,995
Repayment of long-term debt	**(606,502)**	(1,235,850)
(Increase) decrease in assets under bond indenture agreements	**(17,506)**	20,577
Transfers to sponsors and other affiliates, net	**(24,679)**	(26,112)
Restricted contributions, investment return, and other	**122,232**	98,755
Net cash (used in) provided by financing activities	**(14,224)**	86,365
Net (decrease) increase in cash and cash equivalents	**(135,137)**	447,877
Cash and cash equivalents at beginning of year	**753,555**	305,678
Cash and cash equivalents at end of year	**$ 618,418**	$ 753,555

The accompanying notes are an integral part of the consolidated financial statements.

1. Organization and Mission

Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is the sole corporate member and parent organization of Ascension Health, a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Health Ministries, located in 23 of the United States and the District of Columbia.

Ascension serves as the member or shareholder of various subsidiaries as listed below:

- AH Holdings, LLC, d/b/a Ascension Holdings, LLC
- AHV Holding Company, LLC, d/b/a AV Holding Company
- Ascension Health
- Ascension Health Clinical Holdings, d/b/a Ascension Clinical Holdings
- Ascension Health Global Mission, d/b/a Ascension Global Mission
- Ascension Health Insurance, Ltd. (AHIL)
- Ascension Health – IS. Inc., d/b/a Ascension Information Services
- Ascension Health Resource and Supply Management Group, LLC d/b/a The Resource Group
- Ascension Health Leadership Academy, d/b/a Ascension Leadership Academy
- Ascension Health Ventures, d/b/a Ascension Ventures
- Ascension Investment Management, LLC (AIM)
- Ascension Alpha Fund, LLC, f/k/a CHIMCO Alpha Fund, LLC (Alpha Fund)
- Ascension Risk Services, LLC

Ascension and its member organizations are hereafter referred to collectively as the System.

Effective July 15, 2013, Ascension Health Leadership Academy, LLC, Ascension Health Global Mission and Ascension Health Clinical Holdings began doing business as Ascension Leadership Academy, Ascension Global Mission and Ascension Clinical Holdings, respectively. On July 17, 2013, AH Holdings, LLC began doing business as Ascension Holdings. Effective October 14, 2013, CHIMCO Alpha Fund, LLC was renamed Ascension Alpha Fund, LLC.

1. Organization and Mission (continued)

Effective November 4, 2013, Ascension Health Ventures, LLC was renamed Ascension Ventures, LLC and AHV Holding Company, LLC began doing business as AV Holding Company. Effective December 12, 2013, Ascension Health – IS, Inc. began doing business as Ascension Information Services. Effective January 1, 2014, Catholic Healthcare Investment Management Company (CHIMCO) transferred all of its business and assets to AIM, a limited liability company wholly owned by Ascension and CHIMCO's successor in interest.

Sponsorship

Ascension is sponsored by Ascension Sponsor, a Public Juridic Person. The Participating Entities of Ascension Sponsor are the Daughters of Charity of St. Vincent de Paul, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province. As more fully described in the Organizational Changes note, Marian Health System, which was previously sponsored by the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province, became part of Ascension Health on April 1, 2013.

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Health Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Health Ministry accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

1. Organization and Mission (continued)

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

- Cost of other programs for persons living in poverty and other vulnerable persons includes unreimbursed costs of programs intentionally designed to serve the persons living in poverty and other vulnerable persons of the community, including substance abusers, the homeless, victims of child abuse, and persons with acquired immune deficiency syndrome.

- Community benefit consists of the unreimbursed costs of community benefit programs and services for the general community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for assistance under charity care guidelines are not included in the cost of providing care of persons living in poverty and other community benefit programs. The cost of providing care to persons living in poverty and other community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care.

Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

The amount of traditional charity care provided, determined on the basis of cost, was $580,606 and $524,605 for the years ended June 30, 2014 and 2013, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

All corporations and other entities for which operating control is exercised by the System or one of its member corporations are consolidated, and all significant inter-entity transactions have been eliminated in consolidation. Investments in entities where the System does not have operating control are recorded under the equity or cost method of accounting. Income from unconsolidated entities is included in consolidated excess of revenues and gains over expenses and losses in the accompanying Consolidated Statements of Operations and Changes in Net Assets as follows:

	Year Ended June 30, 2014	Year Ended June 30, 2013
Other revenue	**$ 83,317**	$ 105,173
Nonoperating gains, net	**5,539**	8,544

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of other financial instruments are disclosed in the Fair Value Measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less.

2. Significant Accounting Policies (continued)

Short-Term Investments

Short-term investments consist of investments with original maturities exceeding three months and up to one year.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value using first-in, first-out (FIFO) or a methodology that closely approximates FIFO.

Long-Term Investments and Investment Return

Investments, excluding investments in unconsolidated entities, are measured at fair value, are classified as trading securities, and include pooled short-term investment funds; U.S. government, state, municipal and agency obligations; corporate and foreign fixed income securities; asset-backed securities; and equity securities. Investments also include alternative investments and other investments which are valued based on the net asset value of the investments, as further discussed in the Fair Value Measurements note. Investments also include derivatives held by the Alpha Fund, also measured at fair value, as discussed in the Pooled Investment Fund note.

Long-term investments include assets limited as to use of approximately $1,431,000 and $1,311,000, at June 30, 2014 and 2013, respectively, comprised primarily of investments placed in trust and held by captive insurance companies for the payment of self-insured claims and investments which are limited as to use, as designated by donors.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the average cost method. Investment returns on investments, excluding returns of self-insurance trust funds, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets, unless the return is restricted by donor or law. Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. A summary of property and equipment at June 30, 2014 and 2013, is as follows:

	June 30,	
	2014	**2013**
Land and improvements	**$ 880,352**	$ 822,885
Buildings and equipment	**14,933,470**	14,427,322
	15,813,822	15,250,207
Less accumulated depreciation	**7,987,988**	7,436,307
	7,825,834	7,813,900
Construction in progress	**584,795**	460,954
Total property and equipment, net	**$ 8,410,629**	$ 8,274,854

Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. Depreciation expense in 2014 and 2013 was $739,853 and $620,177, respectively.

Several capital projects have remaining construction and related equipment purchase commitments of approximately $301,000.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage.

Intangible assets are included in the Consolidated Balance Sheets as presented in the table that follows. Capitalized software costs in the table below include software in progress of $125,451 and $99,048 at June 30, 2014 and 2013, respectively:

	June 30, 2014	June 30, 2013
Capitalized software costs	**$ 1,557,302**	$ 1,388,880
Less accumulated amortization	**778,597**	670,758
Capitalized software costs, net	**778,705**	718,122
Goodwill	**181,490**	130,306
Other, net	**62,573**	71,440
Intangible assets included in other long-term assets	**244,063**	201,746
Total intangible assets, net	**$ 1,022,768**	$ 919,868

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually, while intangible assets with definite lives, primarily capitalized computer software costs, are amortized over their expected useful lives. Amortization expense for these intangible assets in 2014 and 2013 was $157,150 and $108,633, respectively.

2. Significant Accounting Policies (continued)

The System is in the midst of a significant multi-year, System-wide enterprise resource planning project, including information technology and process standardization (Symphony), which is expected to continue through fiscal year 2016. The project is anticipated to result in a transition to a common software product for various finance, information technology, procurement, and human resources management processes, including standardization of those processes throughout the System. Capitalized costs of Symphony were approximately $320,000 and $301,000 at June 30, 2014 and 2013, respectively, and are included in capitalized software costs in the preceding table. Certain costs of this project were also expensed. Beginning September 1, 2012, the software associated with Symphony was considered substantially complete and ready for its intended use and is amortized on a straight-line basis over its expected useful life. Accumulated amortization of Symphony was approximately $55,000 and $25,000 at June 30, 2014 and 2013, respectively. See the Impairment, Restructuring, and Nonrecurring Gains (Losses) discussion below for additional information about costs associated with Symphony.

Noncontrolling Interests

The consolidated financial statements include all assets, liabilities, revenues, and expenses of entities that are controlled by the System and therefore consolidated. Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those assets whose use by the System has been limited by donors to a specific time period or purpose. Permanently restricted net assets consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity, which include endowment funds. Temporarily restricted net assets and earnings on permanently restricted net assets, including earnings on endowment funds, are used in accordance with the donors' wishes, primarily to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Temporarily and permanently restricted net assets consist solely of controlling interests of the System.

2. Significant Accounting Policies (continued)

Performance Indicator

The performance indicator is the excess of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from the performance indicator primarily include pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, change in unconsolidated entities' net assets, discontinued operations, and contributions received of property and equipment.

Operating and Nonoperating Activities

The System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare services. Activities directly associated with the furtherance of this purpose are considered to be operating activities. Other activities that result in gains or losses peripheral to the System's primary mission are considered to be nonoperating. Additionally, contributions recognized in conjunction with business combination transactions are also classified as nonoperating.

Net Patient Service Revenue, Accounts Receivable, and Allowance for Doubtful Accounts

Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services provided and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. The System recognizes patient service revenue at the time services are rendered, even though the patient's ability to pay may not be completely assessed at that time. Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by $95,591 and $55,340 for the years ended June 30, 2014 and 2013, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The percentage of net patient service revenue, less provision for doubtful accounts earned by payor for the years ended June 30, 2014 and 2013, is as follows:

	June 30, 2014	June 30, 2013
Medicare – traditional and managed	**36 %**	36 %
Medicaid – traditional and managed	**11**	11
Commercial and other managed care	**45**	45
Self-Pay and other	**8**	8
	100 %	100 %

The System grants credit without collateral to its patients, who are primarily local residents and are insured under third-party payor arrangements. Significant concentrations of accounts receivable, less allowance for doubtful accounts, at June 30, 2014 and 2013, are as follows:

	June 30, 2014	June 30, 2013
Medicare – traditional and managed	**22 %**	22 %
Medicaid – traditional and managed	**9**	8
Commercial and other managed care	**45**	43
Self-Pay and other	**24**	27
	100 %	100 %

2. Significant Accounting Policies (continued)

The provision for doubtful accounts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in healthcare coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for doubtful accounts based upon historical write-off experience by payor category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for doubtful accounts to establish an appropriate allowance for doubtful accounts. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the System follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the System. Accounts receivable are written off after collection efforts have been followed in accordance with the System's policies.

The methodology for determining the allowance for doubtful accounts and related write-offs on uninsured patient accounts has remained consistent with the prior year. The System has not experienced material changes in write-off trends and has not materially changed its charity care policy in the current fiscal year.

Impairment, Restructuring, and Nonrecurring Gains (Losses)

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of these long-lived assets is reduced to fair value based on future discounted net cash flows or other estimates of fair value.

Nonrecurring expenses associated with Symphony include project management and process re-engineering costs, amortization expense for those Health Ministries not yet on Symphony, as well as costs to establish a shared service center and develop a business intelligence data warehouse. Costs associated with product deployment are recorded as nonrecurring gains (losses), and costs associated with product support are recorded as recurring operating expenses.

2. Significant Accounting Policies (continued)

During the year ended June 30, 2014, the System recorded total impairment, restructuring, and nonrecurring losses, net of $223,834. This amount was comprised primarily of $163,293 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of $26,012, impairment expenses of $23,120, and other nonrecurring expenses of $11,409.

During the year ended June 30, 2013, the System recorded total impairment, restructuring, and nonrecurring losses, net of $103,344. This amount was comprised primarily of $113,193 of nonrecurring expenses associated with Symphony, one-time termination benefits and other restructuring expenses of $57,470, and impairment and other nonrecurring expenses of $4,998, partially offset by pension curtailment gains of $72,317, as discussed in the Retirement Plans note.

Amortization

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds using a method approximating the effective interest method.

Capitalized software, including internally developed software, is amortized on a straight-line basis over the expected useful life of the software.

Income Taxes

The member healthcare entities of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(2), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of June 30, 2014.

At June 30, 2014, the System has deferred tax assets of approximately $326,000 for federal and state income tax purposes primarily related to net operating loss carryforwards. A valuation allowance of approximately $322,000 was recorded due to the uncertainty regarding use of the deferred tax assets.

2. Significant Accounting Policies (continued)

Regulatory Compliance

Various federal and state agencies have initiated investigations regarding reimbursement claimed by certain members of the System. The investigations are in various stages of discovery, and the ultimate resolution of these matters, including the liabilities, if any, cannot be readily determined; however, in the opinion of management, the results of the investigations will not have a material adverse impact on the consolidated financial statements of the System.

Reclassifications

Certain reclassifications were made to the 2013 accompanying consolidated financial statements to conform to the 2014 presentation.

Adoption of New Accounting Standards

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities,* an amendment to the accounting guidance for disclosures about offsetting assets and liabilities. In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities.* These ASUs expand the disclosure requirements in that entities will be required to disclose both gross and net information about instruments and transactions eligible for offset in the balance sheet. Ascension adopted this collective guidance on July 1, 2013, which did not have a material impact on Ascension's consolidated financial statements for the year ended June 30, 2014. See the Derivative Instruments note for disclosures about offsetting assets and liabilities for the year ended June 30, 2014.

Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date but before the consolidated financial statements are issued, for potential recognition in the consolidated financial statements as of the Consolidated Balance Sheet date. For the year ended June 30, 2014, the System evaluated subsequent events through September 11, 2014, representing the date on which the accompanying audited consolidated financial statements were issued.

2. Significant Accounting Policies (continued)

In July 2014, the System signed two separate non-binding letters of intent to sell primarily all assets and liabilities and related operations of Ascension's operations in Kansas City, Missouri and Tucson, Arizona, as discussed in the Organizational Changes note.

In August 2014, Ascension Health signed an affiliation agreement to sell primarily all of the assets, liabilities and operations associated with Ascension's operations in Niagara Falls, New York to Catholic Health System, Inc. This transaction is intended to close during calendar year 2015, after obtaining all necessary approvals.

3. Organizational Changes

Business Combinations

Marian Health System

Effective April 1, 2013, Ascension Health, a subsidiary of the System, became the sole corporate member, through a non-cash business combination transaction, of three regional health systems that formerly comprised Marian Health System, Inc. (Marian Health System): Via Christi Health, Inc. (Via Christi Health), based in Wichita, Kansas; Ministry Health Care, Inc. (Ministry Health Care), based in Milwaukee, Wisconsin; and St. John Health System, Inc. (St. John Health), based in Tulsa, Oklahoma (collectively, the Marian Systems). Prior to this transaction, Marian Health System was the sole corporate member of Ministry Health Care and St. John Health, while Ascension Health and Marian Health System were the two corporate members of Via Christi Health.

Prior to April 1, 2013, the System accounted for its 50% interest in Via Christi Health under the equity method of accounting. The System's investment in Via Christi Health at March 31, 2013, was \$545,018, which was reported in the Consolidated Balance Sheet at that date in investment in unconsolidated entities. For the year ended June 30, 2013, the System's excess of revenues and gains over expenses and losses included \$34,141, representing the System's share of Via Christi Health's excess of revenues over expenses prior to the business combination transaction on April 1, 2013. The System's investment in Via Christi Health of \$545,018 at March 31, 2013, was derecognized on April 1, 2013, in conjunction with the accounting for the business combination transaction.

(Dollars in Thousands)

3. Organizational Changes (continued)

The fair values of the Marian Systems' net assets, by major type, that were recognized in the System's Consolidated Balance Sheet on April 1, 2013, were as follows. The valuation of these net assets was finalized during the year ended June 30, 2014, resulting in no material adjustments.

Net working capital	$ 557,274
Intangible assets, including capitalized software	135,819
Property and equipment	1,950,739
Assets limited as to use	1,126,259
Investments and other long-term assets	1,125,652
Noncurrent liabilities assumed	(2,144,948)
Subtotal	2,750,795
Less: March 31, 2013 Investment in Via Christi Health	(545,018)
Fair value of net assets	$ 2,205,777

The fair value of net assets of $2,205,777 in the preceding table was recognized in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2013, as a nonoperating contribution from business combinations of $2,028,992; contributions of temporarily and permanently restricted net assets of $44,201 and $67,846, respectively; and contributions of noncontrolling interests of $64,738.

For the three months ended June 30, 2013, the System recognized revenues of the Marian Systems of $1,049,259, and an excess of revenues and gains over expenses and losses of the Marian Systems of $56,670, of which $55,542 was attributable to controlling interest, with the remaining attributable to noncontrolling interests. Additionally, for the three months ended June 30, 2013, the System recognized an increase in unrestricted net assets – controlling interests, excluding the excess of revenues and gains over expenses and losses of $56,670 above, of $53,801; an increase in unrestricted net assets – noncontrolling interests of $823; an increase in temporarily restricted net assets of $915; and a decrease in permanently restricted net assets of $56.

(Dollars in Thousands)

3. Organizational Changes (continued)

The following unaudited pro forma financial information presents the combined results of operations of the System and the Marian Systems for the year ended June 30, 2013, as though the April 1, 2013 business combination transaction had occurred on July 1, 2011. This pro forma financial information is not necessarily indicative of the results of operations that would have occurred had the System and the Marian Systems constituted a single entity during this period, nor is it necessarily indicative of future operating results.

	Year Ended June 30, 2013
Total operating revenue	$ 20,005,943
Excess of revenues and gains over expenses and losses	1,230,777
Increase in unrestricted net assets – controlling interest	1,307,542
Increase in unrestricted net assets – noncontrolling interests	879,585
Increase in temporarily restricted net assets	7,497
Increase in permanently restricted net assets	7,945

The excess of revenues and gains over expenses and losses and the increase in unrestricted net assets – controlling interest in the table above exclude the nonoperating contribution from the Marian Health System business combination of $2,028,992 included in the Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2013. The pro forma excess of revenues and gains over expenses and losses above includes certain adjustments attributable to the April 1, 2013, business combination transaction.

In addition, the increases in unrestricted net assets – controlling interest, temporarily restricted net assets, and permanently restricted net assets in the table above exclude the contributions from business combinations reflected in the contributions of noncontrolling interests, and temporarily and permanently restricted net assets of $64,738, $44,201, and $67,846, respectively.

3. Organizational Changes (continued)

Mercy Regional Health Center, Inc.

On February 27, 2014 (transaction date), Via Christi Health, a subsidiary of Ascension Health, became the sole corporate member of Mercy Regional Health Center, Inc. (MRHC) through a membership transfer agreement with Memorial Hospital Association (MHA). Prior to the transaction date, Via Christi Health held a 50% controlling interest in MRHC, which it consolidated, with a noncontrolling interest recognized for the portion of MRHC held by MHA. On the transaction date, Via Christi Health paid cash of approximately $7,300 to MHA in exchange for MHA's 50% interest valued at approximately $52,530, along with contingent consideration, paid in the event of a sale or future change in control of either MRHC or Via Christi Health, or the dissolution of MRHC. As such, this contingent liability had a value of zero at June 30, 2014 and through September 11, 2014, the date of issuance of Ascension's consolidated financial statements. This transaction was accounted for as a $45,255 increase in controlling interest and a corresponding $52,530 decrease in noncontrolling interest in Ascension's Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2014.

Divestitures and Discontinued Operations

As of June 30, 2014, and through September 11, 2014, the date of issuance of Ascension's consolidated financial statements, the System is in discussions, and has signed related non-binding letters of intent, with certain third parties for the sale of primarily all assets, liabilities and operations, excluding certain non-acute care entities, associated with Ascension's operations in Kansas City, Missouri; Tucson, Arizona; and Niagara Falls, New York (entities held for sale). A noncontrolling interest in the operations in Tucson, Arizona, subsequent to the sale is expected to be retained. Completion of these proposed transactions is subject to due diligence and execution of final definitive agreements, including obtaining all necessary approvals.

3. Organizational Changes (continued)

Assets and liabilities intended to be sold are designated as assets and liabilities held for sale, and included within other assets and other liabilities, respectively, in the System's Consolidated Balance Sheets. Assets held for sale were $431,404 and $571,350 at June 30, 2014 and 2013, respectively, while liabilities held for sale were $130,722 and $142,707 at June 30, 2014 and 2013, respectively. Revenues of the entities held for sale were $870,862 and $862,838 for the years ended June 30, 2014 and 2013, respectively. Losses of the entities held for sale included in the Loss from discontinued operations in the Consolidated Statement of Operations and Changes in Net Assets were $31,579 and $74,892 for the years ended June 30, 2014 and 2013, respectively. Primarily all of the remaining loss from discontinued operations for the year ended June 30, 2014, was comprised of the write-down of assets in Tucson, Arizona, and Niagara Falls, New York, in conjunction with being classified as held for sale.

Other

In June 2014, Alexian Brothers Health System, a subsidiary of Ascension Health, signed a non-binding letter of intent to form a joint operating company with Adventist Midwest Health. Completion of this proposed transaction is subject to due diligence and execution of final definitive agreements, including obtaining all necessary approvals.

4. Pooled Investment Fund

At June 30, 2014 and 2013, a significant portion of the System's investments consists of the System's interest in the Alpha Fund, a limited liability company organized in the state of Delaware. Certain System assets continue to be held through the Ascension Legacy Portfolio, and subsequent to April 2012, the Ascension Legacy Portfolio no longer holds assets for unrelated entities. Additional System investments include those held and managed by the Health Ministries' and their consolidated foundations.

The Alpha Fund includes the investment interests of the System and other Alpha Fund members. AIM, a wholly owned subsidiary of the System, manages and serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's members. AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management. The Alpha Fund is consolidated in the System's financial statements.

4. Pooled Investment Fund (continued)

The portion of the Alpha Fund's net assets representing interests held by entities other than the System are reflected in noncontrolling interests in the Consolidated Balance Sheets, which amount to $1,490,082 and $1,450,580 at June 30, 2014 and 2013, respectively.

The Alpha Fund invests in a diversified portfolio of investments including alternative investments, such as real asset funds, hedge funds, private equity funds, commodity funds, and private credit funds. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 180 days. Due to redemption restrictions, investments in certain of these funds, whose fair value was $1,312,677 at June 30, 2014, cannot currently be redeemed. However, the potential for the Alpha Fund to sell its interest in these funds in a secondary market prior to the end of the fund term does exist.

The Alpha Fund's investments in certain alternative investment funds also include contractual commitments to provide capital contributions during the investment period, which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require the Alpha Fund to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2014, contractual agreements of the Alpha Fund expire between July 2014 and December 2019. The remaining unfunded capital commitments of the Alpha Fund total approximately $1,459,000 for 95 individual funds as of June 30, 2014. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

In the normal course of operations and within established Alpha Fund guidelines, the Alpha Fund may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, option, and forward contracts as well as warrants and swaps. These instruments are used primarily to adjust the portfolio duration, restructure term structure exposure, change sector exposure, and arbitrage market inefficiencies. See the Fair Value Measurements note for a discussion of how fair value for the Alpha Fund's derivatives is determined.

4. Pooled Investment Fund (continued)

At June 30, 2014 and 2013, the notional value of Alpha Fund derivatives outstanding was approximately $2,377,000 and $2,126,000, respectively. The fair value of Alpha Fund derivatives in an asset position was $61,234 and $35,404 at June 30, 2014 and 2013, respectively, while the fair value of Alpha Fund derivatives in a liability position was $3,478 and $84,249 at June 30, 2014 and 2013, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets at June 30, 2014 and 2013.

The Alpha Fund also participates in a securities lending program, whereby a portion of the Alpha Fund's investments are loaned to selected established brokerage firms in return for cash and securities from the brokers as collateral for the investments loaned, usually on a short-term basis. The fair value of collateral held by the Alpha Fund associated with such lending agreements amounts to approximately $3,000 and $394,000 at June 30, 2014 and 2013, respectively, and is included in other current assets in the Consolidated Balance Sheets, while the liability associated with the obligation to repay such collateral is also approximately $3,000 and $394,000 at June 30, 2014 and 2013, respectively, and is included in other current liabilities in the Consolidated Balance Sheets. In addition, the Alpha Fund has liabilities for investments sold, not yet purchased, representing obligations of the Alpha Fund to purchase investments in the market at prevailing prices. The fair value of this Alpha Fund liability is approximately $179,000 and $7,000 at June 30, 2014 and 2013, respectively, and is included in other noncurrent liabilities in the Consolidated Balance Sheets.

Due from brokers and due to brokers on the Consolidated Balance Sheets at June 30, 2014 and 2013, represent the Alpha Fund's positions and amounts due from or to various brokers, primarily amounts for security transactions not yet settled, and cash held by brokers for securities sold, not yet purchased.

(Dollars in Thousands)

5. Cash and Investments

The System's cash and investments are reported in the Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes both the System's membership interest in the Alpha Fund and the noncontrolling interests held by other Alpha Fund members. System unrestricted cash and investments, net, represent the System's cash and investments excluding the noncontrolling interests held by other Alpha Fund members and assets limited as to use.

	June 30, 2014	June 30, 2013
Cash and cash equivalents	**$ 618,418**	$ 753,555
Short-term investments	**109,081**	113,825
Long-term investments	**15,327,255**	14,156,447
Subtotal	**16,054,754**	15,023,827
Other Alpha Fund assets and liabilities:		
In other current assets	**30,671**	459,050
In other long-term assets	**2,641**	2,785
In accounts payable and other accrued liabilities	**(7,013)**	(5,680)
In other current liabilities	**(3,341)**	(394,763)
In other noncurrent liabilities	**(178,732)**	(6,622)
Due to brokers, net	**11,588**	(315,040)
Total cash and investments, net	**15,910,568**	14,763,557
Less noncontrolling interests of Alpha Fund	**1,490,082**	1,450,580
System cash and investments, including assets limited as to use	**14,420,486**	13,312,977
Less assets limited as to use:		
Under bond indenture agreement	**43,869**	33,955
Self-insurance trust funds	**759,388**	728,621
Temporarily or permanently restricted	**652,244**	561,802
Total assets limited as to use	**1,455,501**	1,324,378
System unrestricted cash and investments, net	**$ 12,964,985**	$ 11,988,599

(Dollars in Thousands)

5. Cash and Investments (continued)

At June 30, 2014 and 2013, the composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows.

	June 30, 2014	June 30, 2013
Cash and cash equivalents and short-term investments	**$ 828,020**	$ 1,113,823
Pooled short-term investment funds	**302,436**	311,027
U.S. government, state, municipal and agency obligations	**3,301,360**	3,447,500
Corporate and foreign fixed income securities	**1,660,267**	1,664,001
Asset-backed securities	**978,429**	1,196,168
Equity securities	**3,318,063**	2,695,483
Alternative investments and other investments:		
Private equity and real estate funds	**1,039,704**	809,341
Hedge funds	**3,303,800**	2,860,776
Commodities funds and other investments	**1,322,675**	925,708
Total alternative investments and other investments	**5,666,179**	4,595,825
Total cash and cash equivalents, short-term investments, and long-term investments	**$ 16,054,754**	$ 15,023,827

As of June 30, 2014 and 2013, the System's membership interest in the Alpha Fund totaled $12,500,448 and $11,251,590, respectively. As of June 30, 2014 and 2013, the noncontrolling interest (see Note 2) in the Alpha Fund, representing interests held by entities other than the System, totaled $1,490,082 and $1,450,580, respectively.

Investment return recognized by the System for the years ended June 30, 2014 and 2013, is summarized in the following table. Total investment return includes the System's return in the Ascension Legacy Portfolio and the investment return of the Alpha Fund. System investment return represents the System's total investment return, net of the investment return earned by the noncontrolling interests of other Alpha Fund members.

(Dollars in Thousands)

5. Cash and Investments (continued)

	Year Ended June 30, 2014	2013
Interest and dividends	**$ 203,975**	$ 169,797
Net gains on investments reported at fair value	**1,378,018**	601,488
Restricted investment return and unrealized gains, net	**39,234**	18,830
Total investment return	**1,621,227**	790,115
Less return earned by noncontrolling interests of Alpha Fund	**193,400**	106,039
System investment return	**$ 1,427,827**	$ 684,076

6. Fair Value Measurements

The System categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

6. Fair Value Measurements (continued)

The System follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1 – Quoted prices (unadjusted) that are readily available in active markets or exchanges for identical assets or liabilities on the reporting date.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar assets and liabilities in active markets or exchanges or prices quoted for identical or similar assets and liabilities in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to the determination of fair value for Level 3 assets and liabilities require management judgment and estimation.

There were no significant transfers between Levels 1 and 2 during the years ended June 30, 2014 and 2013.

As of June 30, 2014 and 2013, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates. Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value.

6. Fair Value Measurements (continued)

Pooled Short-term Investment Fund

The pooled short-term investment fund is a short term exchange traded money market fund primarily invested in treasury securities.

U S. Government, State, Municipal, and Agency Obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads.

Corporate and Foreign Fixed Income Securities

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds, and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options.

Asset-backed Securities

The fair value of U.S. agency and corporate asset-backed securities is primarily determined using techniques consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes.

Equity Securities

The fair value of investments in U.S. and international equity securities is primarily determined using techniques consistent with the market and income approaches. The values for underlying investments are fair value estimates determined by external fund managers based on quoted market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

6. Fair Value Measurements (continued)

Alternative Investments and Other Investments

Alternative investments consist of private equity, hedge funds, private equity funds, commodity funds, and real estate partnerships. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company.

The fair value of hedge funds, private equity funds, commodity funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Other investments include derivative assets and derivative liabilities of the Alpha Fund, whose fair value is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Securities Lending Collateral

The fair value of collateral received under the Alpha Fund's securities lending program is valued using the calculated net asset value for the commingled fund in which the collateral is invested. The underlying investments in the commingled fund are valued using techniques consistent with the market approach, which uses significant observable market inputs such as available trade, quotes, benchmark curves, sector groupings, and matrix pricing.

6. Fair Value Measurements (continued)

Benefit Plan Assets

The fair value of benefit plan assets is based on original investment into a guaranteed pooled fund, plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

Interest Rate Swap Assets and Liabilities

The fair value of interest rate swaps is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Investments Sold, Not Yet Purchased

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2014, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
June 30, 2014				
Cash and cash equivalents	$ 351,934	$ 3,398	$ –	$ 355,332
Short-term investments	44,193	23,804	293	68,290
Pooled short-term investment funds	302,436	–	–	302,436
U.S. government, state, municipal and agency obligations	–	3,301,360	–	3,301,360
Corporate and foreign fixed income securities	–	1,429,694	230,573	1,660,267
Asset-backed securities	–	878,508	99,921	978,429
Equity securities	3,079,815	186,670	51,578	3,318,063
Alternative investments and other investments:				
Private equity and real estate funds	388	5,901	1,030,536	1,036,825
Hedge funds	–	–	3,303,800	3,303,800
Commodities funds and other investments	134	1,352	1,212,420	1,213,906
Assets not at fair value				516,046
Cash and investments				$ 16,054,754
Securities lending collateral, in other current assets	$ –	$ 3,341	$ –	$ 3,341
Benefit plan assets, in other noncurrent assets	235,991	–	40,749	276,740
Interest rate swaps, in other noncurrent assets	–	69,883	–	69,883
Investments sold, not yet purchased, in other noncurrent liabilities	–	178,732	–	178,732
Interest rate swaps, included in other noncurrent liabilities	–	189,659	–	189,659

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the year ended June 30, 2014, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following.

	Short-term investments	U.S. Government, State, Municipal and Agency Obligations	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Hedge Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Year Ended June 30, 2014									
Beginning balance	$ 238	$ 5,829	$ 391,287	$117,033	$ 2,163	$ 799,414	$2,857,114	$ 831,182	$ 35,662
Total realized and unrealized gains (losses):									
Included in income from operations	–	3	178	1	8,287	–	(11)	8	–
Included in nonoperating gains (losses)	55	(27)	19,138	35	(97)	103,975	267,740	413,774	–
Included in changes in net assets	–	–	–	–	–	44	577	17	–
Purchases	–	–	104,381	94,926	52,839	337,742	543,162	267,890	202,600
Settlements	–	–	–	–	–	(391)	–	–	–
Sales	–	(5,805)	(273,882)	(2,227)	(10,899)	(210,248)	(376,420)	(299,570)	(216,349)
Transfers into Level 3	–	–	–	–	–	–	11,640	–	77,763
Transfers out of Level 3	–	–	(10,529)	(109,847)	(715)	–	(2)	(881)	(58,927)
Ending balance	$ 293	$ –	$ 230,573	$ 99,921	$ 51,578	$1,030,536	$3,303,800	$ 1,212,420	$ 40,749
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at June 30, 2014	$ 56	$ –	$ 7,605	$ (239)	$ 7,394	$ 70,701	$ 241,386	$ 128,351	$ –

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

6. Fair Value Measurements (continued)

The following table summarizes fair value measurements, by level, at June 30, 2013, for all financial assets and liabilities measured at fair value on a recurring basis in the System's consolidated financial statements:

	Level 1	Level 2	Level 3	Total
June 30, 2013				
Cash and cash equivalents	$ 618,129	$ 14,277	$ –	$ 632,406
Short-term investments	21,821	45,258	238	67,317
Pooled short-term investment funds	311,027	–	–	311,027
U.S. government, state, municipal and agency obligations	–	3,441,671	5,829	3,447,500
Corporate and foreign fixed income securities	–	1,272,714	391,287	1,664,001
Asset-backed securities	–	1,079,135	117,033	1,196,168
Equity securities	2,656,950	36,370	2,163	2,695,483
Alternative investments and other investments:				
Private equity and real estate funds	529	3,752	799,414	803,695
Hedge funds	–	–	2,857,114	2,857,114
Commodities funds and other investments	5,762	(6,061)	831,182	830,883
Assets not at fair value				518,233
Cash and investments				$ 15,023,827
Securities lending collateral, in other current assets	$ –	$ 394,310	$ –	$ 394,310
Benefit plan assets, in other noncurrent assets	210,767	–	35,662	246,429
Interest rate swaps, in other noncurrent assets	–	76,650	–	76,650
Investments sold, not yet purchased, in other noncurrent liabilities	–	6,622	–	6,622
Interest rate swaps, included in other noncurrent liabilities	–	194,546	–	194,546

(Dollars in Thousands)

6. Fair Value Measurements (continued)

For the year ended June 30, 2013, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following. Level 3 investments of the Alpha Fund are included in transfers in the table below.

	Short-term investments	U.S. Government, State, Municipal and Agency Obligations	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Hedge Funds	Commodities Funds and Other Investments	Benefit Plan Assets
Year Ended June 30, 2013									
Beginning balance	$ –	$ 7,437	$ 120,418	$ 15,297	$ 13,118	$ 593,753	$1,887,407	$ 615,813	$ 35,373
Total realized and unrealized gains (losses):									
Included in income from operations	–	16	242	10	1,489	–	123	(45)	–
Included in nonoperating gains (losses)	3	445	1,059	(227)	170	83,975	220,887	80,222	–
Included in changes in net assets	–	–	–	–	–	–	293	27	–
Purchases	–	169	328,980	122,703	718	188,085	981,414	401,957	44,150
Settlements	–	–	–	–	–	(25)	–	–	(279)
Sales	–	(2,238)	(58,928)	(17,883)	(13,372)	(66,836)	(232,198)	(266,889)	(41,668)
Transfers into Level 3	235	–	2,962	–	40	927	3,271	139	12,485
Transfers out of Level 3	–	–	(3,446)	(2,867)	–	(465)	(4,083)	(42)	(14,399)
Ending balance	$ 238	$ 5,829	$ 391,287	$117,033	$ 2,163	$ 799,414	$2,857,114	$ 831,182	$ 35,662
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at June 30, 2013	$ 46	$ 342	$ (1,682)	$ (751)	$ 149	$ 39,300	$ 234,426	$ (28,407)	$ –

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

(Dollars in Thousands)

7. Long-Term Debt

Long-term debt at June 30, 2014 and 2013, is comprised of the following and is presented in accordance with the specific master trust indenture to which the debt relates. As further discussed below, certain portions of long-term debt are secured under the Alexian Brothers Health System Master Trust Indenture; the Mercy Regional Health Center, Inc. Master Trust Indenture; The Howard Young Medical Center, Inc. Master Trust Indenture; the St. John Health System Master Trust Indenture; and the Ministry Health Care Master Trust Indenture.

	June 30, 2014	June 30, 2013
Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Variable rate demand bonds, subject to a put provision that provides for a cumulative 7-month notice and remarketing period, payable through November 2047; interest (0.12% at June 30, 2014) tied to a market index plus a spread	**$ 393,425**	$ 408,605
Variable rate demand bonds, subject to a 7-day put provision, payable through November 2039; interest (0.06% June 30, 2014) set at prevailing market rates	**224,225**	225,665
Variable rate demand bonds, subject to a 7-day put provision, payable through November 2033; interest (0.06% at June 30, 2014) set at prevailing market rates, swapped to fixed rates of 5.454% and 5.544%, respectively, through maturity	**307,300**	307,300
Indexed put bonds subject to weekly rate resets based on a taxable index, payable through November 2046; interest (2.036% at June 30, 2014) swapped to a variable rate tied to a tax-exempt market index plus a spread through November 2016	**153,800**	153,800
Fixed rate put bonds (converted from an indexed put bond mode based on a taxable index in May 2009) payable through November 2046; interest (4.10% at June 30, 2014) swapped to a variable rate tied to a market index plus a spread through November 2016	**153,690**	153,690
Fixed rate serial and term bonds payable in installments through November 2051; interest at 3.00% to 5.25%	**1,154,320**	1,207,490
Fixed rate serial and term bonds payable in installments through November 2039; interest at 5.00% swapped to variable rates over the life of the bonds	**585,290**	587,360
Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from August 2014 through June 2021; interest at 0.90% to 5.00% through the purchase dates	**1,221,920**	1,224,750

(Dollars in Thousands)

7. Long-Term Debt (continued)

	June 30, 2014	2013
Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture:		
Variable rate demand bonds, subject to a 7-day put provision, payable through November 2027; interest (0.06% at June 30, 2014) set at prevailing market rates	$ **55,100**	$ 56,060
Fixed rate serial mode bonds payable through 2027 with purchase dates through November 2019; interest at 0.32% to 5.00%	**445,435**	446,515
Taxable bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Taxable fixed rate term bonds payable in installments through November 2053; interest at 4.847%	**425,000**	425,000
Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture	**5,119,505**	5,196,235
Tax-exempt hospital revenue bonds – secured under Alexian Brothers Health System Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through February 2038; interest at 3.50% to 5.50%	**153,710**	157,000
Total hospital revenue bonds under the Alexian Brothers Health System Master Trust Indenture	**153,710**	157,000
Tax-exempt hospital revenue bonds – secured under Mercy Regional Health Center, Inc. Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through November 2029; interest at 3.00% to 5.00%	**24,040**	25,060
Total hospital revenue bonds under the Mercy Regional Health Center, Inc. Master Trust Indenture	**24,040**	25,060
Tax-exempt hospital revenue bonds – secured under The Howard Young Medical Center, Inc. Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through August 2030; interest at 3.00% to 5.00%	**19,185**	20,040
Total hospital revenue bonds under The Howard Young Medical Center, Inc. Master Trust Indenture	**19,185**	20,040

(Dollars in Thousands)

7. Long-Term Debt (continued)

	June 30, 2014	June 30, 2013
Tax-exempt hospital revenue bonds – secured under St. John Health System Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through February 2042; interest at 4.00% to 5.00%	$ 407,550	$ 414,500
Total hospital revenue bonds under the St. John Health System Master Trust Indenture	407,550	414,500
Tax-exempt hospital revenue bonds – secured under Ministry Health Care Master Trust Indenture:		
Fixed rate serial and term bonds payable in installments through August 2035; interest at 3.00% to 5.50%	358,415	368,260
Total hospital revenue bonds under the Ministry Health Care Master Trust Indenture	358,415	368,260
Total hospital revenue bonds under the Ascension Health Alliance Senior Master Trust Indenture; Ascension Health Alliance Subordinate Master Trust Indenture; the Alexian Brothers Health System Master Trust Indenture; the Mercy Regional Health Center, Inc. Master Trust Indenture; The Howard Young Medical Center, Inc. Master Trust Indenture; St. John Health System Master Trust Indenture; and Ministry Health Care Master Trust Indenture	6,082,405	6,181,095
Other debt:		
Obligations under capital leases	30,623	41,957
Other	123,368	113,710
	6,236,396	6,336,762
Unamortized premium, net	195,579	218,536
Less current portion	(91,532)	(89,869)
Less long-term debt subject to short-term remarketing arrangements	(1,345,530)	(1,187,125)
Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements	$ 4,994,913	$ 5,278,304

(Dollars in Thousands)

7. Long-Term Debt (continued)

	June 30, 2014	June 30, 2013
Ascension Health Alliance Senior Master Trust Indenture long-term debt obligations, including unamortized premium, net	**$ 3,329,323**	$ 3,579,334
Ascension Health Alliance Subordinate Master Trust Indenture long-term debt obligations, including unamortized premium, net	**505,843**	511,009
Alexian Brothers Health System Master Trust Indenture long-term debt obligations, including unamortized premium, net	**160,965**	162,594
Mercy Regional Health Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net	**25,498**	27,258
The Howard Young Medical Center, Inc. Master Trust Indenture long-term debt obligations, including unamortized premium, net	**19,942**	20,933
St. John Health System Master Trust Indenture long-term debt obligations, including unamortized premium, net	**429,154**	437,503
Ministry Health Care Master Trust Indenture long-term debt obligations, including unamortized premium, net	**381,144**	394,781
Other	**143,044**	144,892
Long-term debt, less current portion, and long-term debt subject to short-term remarketing arrangements	**$ 4,994,913**	$ 5,278,304

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2014, are as follows:

	Ascension Health Alliance MTIs	Alexian Brothers Health System MTI	Mercy Regional Health Center, Inc. MTI	The Howard Young Medical Center, Inc. MTI	St. John Health System MTI	Ministry Health Care MTI	Other Debt	Total
Year ending June 30:								
2015	$ 59,835	$ 340	$ 1,045	$ 875	$ 7,305	$ 11,185	$ 10,947	$ 91,532
2016	50,130	7,485	1,080	910	7,680	11,665	22,513	101,463
2017	65,945	13,130	1,125	945	8,070	12,185	9,200	110,600
2018	69,045	15,655	1,175	975	6,890	12,890	35,710	142,340
2019	85,230	5,735	1,230	1,000	7,230	12,265	8,908	121,598
Thereafter	4,789,320	111,365	18,385	14,480	370,375	298,225	66,713	5,668,863
Total	$ 5,119,505	$ 153,710	$ 24,040	$ 19,185	$ 407,550	$ 358,415	$ 153,991	$ 6,236,396

7. Long-Term Debt (continued)

The carrying amounts of variable rate bonds and other notes payable approximate fair value. The fair values of the unsecured fixed rate serial and term bonds are obtained from independent public valuation services. The fair value of fixed rate serial and term bonds, including the component of variable rate demand bonds subject to long-term fixed interest rates, approximates carrying value at June 30, 2014 and 2013. During the years ended June 30, 2014 and 2013, interest paid was approximately $223,000 and $170,000, respectively. Capitalized interest was approximately $5,500 and $5,400 for the years ended June 30, 2014 and 2013, respectively.

Certain members of the System formed the Ascension Health Alliance Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, a senior designated affiliate, or a senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI and may be entities not controlled directly or indirectly by the System. Senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI. The System may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including payment of the outstanding obligations. Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with the System with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation.

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designated affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI and may be entities not controlled directly or indirectly by the System. Subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI. The System may cause each subordinate designated affiliate to

7. Long-Term Debt (continued)

transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with the System, with stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation.

The unsecured variable rate demand bonds of both the Senior and Subordinate Credit Groups, while subject to long-term amortization periods, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2014, the principal amount of such bonds has been classified as a current liability in the accompanying Consolidated Balance Sheets. Management believes the likelihood of a material amount of bonds being put to the System to be remote. However, to address this possibility, management has taken steps to provide various sources of liquidity in the event any bonds would be put, including the line of credit, commercial paper program, and maintaining unrestricted assets as a source of self-liquidity.

On January 1, 2012, Alexian Brothers became part of the System. Subsequently, the System redeemed or refinanced a portion of Alexian Brothers' debt; however, a portion of the bonds previously issued for the benefit of Alexian Brothers remains outstanding (the Alexian Brothers' Bonds). The Alexian Brothers' Bonds continue to be secured by the Alexian Brothers Health System Master Trust Indenture (As Amended and Restated), dated October 1, 1992, between the Members of the Alexian Brothers Health System Obligated Group established under this document and the Alexian Brothers Health System Master Trustee.

On April 1, 2013, Marian Health System joined Ascension Health. Subsequently, the System redeemed or refinanced a portion of the debt of the Marian Systems; however, a portion of the bonds previously issued for the benefit of the Marian Systems remains outstanding. These bonds continue to be secured by the respective Master Trust Indentures, including the Amended and Restated Master Trust Indenture dated October 1, 1999, by and between St. John Health System and the St. John Health Master Trustee; the Master Trust Indenture dated October 1, 1984, by and between Ministry Health Care and the Ministry Health Care Master Trustee; the Master Trust Indenture dated August 15, 1993, between The Howard Young Medical Center, Inc., a subsidiary of Ministry Health Care, and The Howard Young Medical Center, Inc. Master

7. Long-Term Debt (continued)

Trustee; and the Master Trust Indenture dated January 15, 2013, between Mercy Regional Health Center, Inc. (a subsidiary of Via Christi Health) and the Mercy Regional Health Center, Inc. Master Trustee.

In June 2013, the System issued a total of $521,865 of tax-exempt bonds, Series 2013A and 2013B, through the Wisconsin issuing authority. In June 2013, the System also issued a total of $425,000 of taxable bonds, Series 2013A. The proceeds of the bonds, including original issue premium, were used to refinance debt and general corporate purposes.

Due to aggregate financing activity during the fiscal years ended June 30, 2014 and 2013, losses on extinguishment of debt of $1,605 and $4,079, respectively, were recorded, which are included in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets.

The System is a party to multiple interest rate swap agreements that convert the variable or fixed rates of certain debt issues to fixed or variable rates, respectively. See the Derivative Instruments note for a discussion of these derivatives.

As of June 30, 2014, the Senior Credit Group has a line of credit of $1,000,000 which may be used as a source of funding for unremarketed variable debt (including commercial paper) or for general corporate purposes, towards which bank commitments totaling $1,000,000 extend to November 9, 2014. As of June 30, 2014 and 2013, there were no borrowings under the line of credit.

As of June 30, 2014, the Senior Credit Group has a $75,000 revolving line of credit related to its letters of credit program toward which a bank commitment of $75,000 extends to November 26, 2014. The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups. Of this $75,000 revolving line of credit, letters of credit totaling $57,455 have been issued as of June 30, 2014. No borrowings were outstanding under the letters of credit as of June 30, 2014 and 2013.

(Dollars in Thousands)

8. Derivative Instruments

The System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. Interest rate swaps with varying characteristics are outstanding under the Master Trust Indentures of the System, Alexian Brothers, Ministry Health Care, and St. John Health. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At June 30, 2014 and 2013, the notional values of outstanding interest rate swaps were as follows:

	June 30,	
	2014	**2013**
Ascension Health Alliance MTI	**$ 2,128,757**	$ 2,128,757
Alexian Brothers Health System MTI	**39,220**	47,220
Ministry Health Care MTI	**192,950**	270,880
St. John Health System MTI	**100,000**	125,000
Total	**$ 2,460,927**	$ 2,571,857

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate. The respective fair values of interest rate swaps in an asset and liability position for the System, Alexian Brothers, Ministry Health Care and St. John Health were as follows:

	June 30, 2014		June 30, 2013	
	Asset	**Liability**	**Asset**	**Liability**
Ascension Health Alliance MTI	**$ 66,981**	**$ 169,031**	$ 73,846	$ 174,413
Alexian Brothers Health System MTI	**–**	**1,934**	–	2,685
Ministry Health Care MTI	**2,902**	**17,938**	2,804	16,492
St. John Health System MTI	**–**	**756**	–	956
Total	**$ 69,883**	**$ 189,659**	$ 76,650	$ 194,546

(Dollars in Thousands)

8. Derivative Instruments (continued)

The System's interest rate swap agreements include collateral requirements for each counterparty under such agreements, based upon specific contractual criteria, subject to master netting arrangements. Collateral requirements are separately calculated for the System, Alexian Brothers, Ministry Health Care, and St. John Health based on the credit ratings of each. In the case of the System, the applicable credit rating is the Senior Credit Group long-term debt credit ratings (Senior Debt Credit Ratings), as obtained from each of two major credit rating agencies. Credit rating and the net liability position of total interest rate swap agreements outstanding with each counterparty determine the amount of collateral to be posted. Collateral and net fair value of interest rate swap agreements with credit-risk-related contingent features at June 30, 2014 and 2013, based upon the respective net liability positions and applicable credit ratings were as follows:

	June 30, 2014		June 30, 2013	
	Net Fair Value	**Collateral Posted**	**Net Fair Value**	**Collateral Posted**
Ascension Health Alliance MTI	**$ (102,050)**	**$ –**	$ (100,567)	$ –
Alexian Brothers Health System MTI	**(1,934)**	**–**	(2,685)	–
Ministry Health Care MTI	**(15,036)**	**16,218**	(13,688)	23,024
St. John Health System MTI	**(756)**	**–**	(956)	–
Total	**$ (119,776)**	**$ 16,218**	$ (117,896)	$ 23,024

Prior to July 1, 2006, the System designated certain of its interest rate swaps as cash flow hedges, for accounting purposes, and accordingly deferred gains or losses associated with those swaps in net assets. As of June 30, 2014, the deferred net gain associated with these interest rate swaps was $4,054. The portion of this gain that will be reclassified into nonoperating gains (losses) over the next 12 months is immaterial.

Beginning July 1, 2006, the System's previously designated cash flow hedging relationships were de-designated for accounting purposes. Accordingly, all changes in the fair value of interest rate swaps have been recognized in nonoperating gains (losses) in the accompanying Consolidated Statements of Operations and Changes in Net Assets. A net nonoperating gain of $1,752 was recognized for the year ended June 30, 2014, while a net nonoperating loss of $61,651 was recognized for the year ended June 30, 2013.

9. Retirement Plans

Defined-Benefit Plans

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans covering substantially all eligible employees of certain System entities. Benefits are based on each participant's years of service and compensation. All of the System Plans' assets are invested in Trusts, which include the Master Pension Trust (the Trust) and other trusts (the Other Trusts). The System Plans' assets primarily consist of cash and cash equivalents, equity, fixed income funds, and alternative investments, consisting of various hedge funds, real estate funds, private equity funds, commodity funds, private credit funds, and certain other private funds. Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants.

During previous fiscal years, the System approved and communicated to employees a redesign of associate retirement benefits, which affects certain System Plans, as well as provides an enhanced comprehensive defined contribution plan. This redesign resulted in the recognition of a curtailment gain of $73,198, for the year ended June 30, 2013, which was recognized in total impairment, restructuring, and nonrecurring losses, net for the year ended June 30, 2013. This redesign resulted in a decrease to the projected benefit obligation and is included in pension and other postretirement liabilities in the Consolidated Balance Sheets.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities. In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so.

(Dollars in Thousands)

9. Retirement Plans (continued)

The following table sets forth the combined benefit obligations and assets of the System Plans at June 30, 2014 and 2013, components of net periodic benefit costs for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements.

	Year Ended June 30, 2014	Year Ended June 30, 2013
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	**$ 7,201,780**	$ 6,437,246
Service Cost	**51,176**	119,018
Interest Cost	**343,781**	289,634
Amendments	**290**	(12,792)
Assumption change	**408,908**	(363,778)
Actuarial (gain) loss	**55,623**	(28,641)
Business combinations	**–**	1,137,270
Curtailment	**(4,193)**	(74,962)
Benefits paid	**(365,406)**	(301,215)
Projected benefit obligation at end of year	**7,691,959**	7,201,780
Accumulated benefit obligation at end of year	**7,649,965**	7,155,166
Change in plan assets:		
Fair value of plan assets at beginning of year	**6,742,384**	5,992,677
Actual return on plan assets	**1,046,540**	121,715
Employer contributions	**41,597**	54,541
Business combinations	**–**	874,666
Benefits paid	**(365,406)**	(301,215)
Fair value of plan assets at end of year	**7,465,115**	6,742,384
Net amount recognized at end of year and funded status	**$ (226,844)**	$ (459,396)

The System Plans' funded status as a percentage of the projected benefit obligation at June 30, 2014 and 2013, was 97.1% and 93.6%, respectively. The System Plans' funded status as a percentage of the accumulated benefit obligation at June 30, 2014 and 2013, was 97.6% and 94.2%, respectively.

(Dollars in Thousands)

9. Retirement Plans (continued)

Included in unrestricted net assets at June 30, 2014 and 2013, are the following amounts that have not yet been recognized in net periodic pension cost for the System Plans:

	Year Ended June 30, 2014	2013
Unrecognized prior service credit	**$ (17,348)**	$ (23,080)
Unrecognized actuarial loss	**330,938**	364,739
	$ 313,590	$ 341,659

Changes in plan assets and benefit obligations recognized in unrestricted net assets for System Plans during 2014 and 2013 include:

	Year Ended June 30, 2014	2013
Current year actuarial gain	**$ (27,867)**	$ (87,934)
Amortization of actuarial (gain) loss	**(5,934)**	19,725
Current year prior service cost (credit)	**290**	(12,792)
Amortization of prior service credit	**5,442**	5,944
	$ (28,069)	$ (75,057)

	Year Ended June 30, 2014	2013
Components of net periodic benefit cost		
Service cost	**$ 51,176**	$ 119,018
Interest cost	**343,781**	289,634
Expected return on plan assets	**(558,335)**	(500,497)
Amortization of prior service credit	**(4,017)**	(6,242)
Amortization of actuarial loss	**7,709**	53,783
Curtailment gain	**(1,426)**	(73,198)
Settlement gain	**(1,774)**	(12)
Net periodic benefit cost	**$ (162,886)**	$ (117,514)

(Dollars in Thousands)

9. Retirement Plans (continued)

The prior service credit and actuarial gain included in unrestricted net assets and expected to be recognized in net periodic pension cost during the year ending June 30, 2015, are $4,000 and $24,955, respectively.

The assumptions used to determine the benefit obligation and net periodic benefit cost for the System Plans are set forth below:

	June 30, 2014	June 30, 2013
Weighted-average discount rate	**4.35%**	4.88%
Weighted-average rate of compensation increase	**3.81%**	3.81%
Weighted-average expected long-term rate of return on plan assets	**8.30%**	8.30%

The System Plans' assets invested in the Trust are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating to funds and managers that correlate to one of three economic strategies: growth, deflation, and inflation. Growth strategies include U.S. equity, emerging market equity, global equity, international equity, directional hedge funds, private equity, high yield, and private credit. Deflation strategies include core fixed income, absolute return hedge funds, and cash. Inflation strategies include inflation-linked bonds, commodity-related investments, and real assets. The System Plans use multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the System Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner.

(Dollars in Thousands)

9. Retirement Plans (continued)

In accordance with the System Plans' asset diversification targets, as presented in the table that follows, the Trust holds certain alternative investments, consisting of various hedge funds, real asset funds, private equity funds, commodity funds, private credit funds, and certain other private funds. These investments do not have observable market values. As such, each of these investments is valued at net asset value as determined by each fund's investment manager, which approximates fair value. The fair value of the System Plans' alternative investments in the Trust as of June 30, 2014, is reported in the fair value measurement table that follows. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 1 to 180 days. Due to redemption restrictions, investments of certain private funds, whose fair value was approximately $1,313,000 at June 30, 2014, cannot be redeemed. However, the potential for the System Plans to sell their interest in real asset funds and private equity funds in a secondary market prior to the end of the fund term does exist.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during the investment period, which is typically five years, and may extend to the end of the fund term. During these contractual periods, investment managers may require the System Plans to invest in accordance with the terms of the agreement. Commitments not funded during the investment period will expire and remain unfunded. As of June 30, 2014, investment periods expire between July 2014 and March 2018. The remaining unfunded capital commitments of the Trust total approximately $416,000 for 62 individual contracts as of June 30, 2014.

The weighted-average asset allocation for the System Plans in the Trust at the end of fiscal 2014 and 2013 and the target allocation for fiscal 2015, by asset category, are as follows:

	Target Allocation	**Percentage of Plan Assets At Year-End**	
Asset Category	**2015**	**2014**	**2013**
Growth	50%	**53%**	52%
Deflation	30	**29**	29
Inflation	20	**18**	19
Total	100%	**100%**	100%

(Dollars in Thousands)

9. Retirement Plans (continued)

The System Plans' assets in the Other Trusts are invested in portfolios designed to best serve the participants of the System Plans' through a long-term investment strategy designed to ensure that funds are available to pay benefits as they become due and to maximize the total return at a prudent level of investment risk. The System Plans' assets invested in the Other Trusts are diversified among various assets classes based upon established investment guidelines.

Asset Category	Target Allocation 2015	Percentage of Plan Assets At Year-End 2014	2013
Cash	1%	**1%**	6%
Growth	62	**67**	61
Income	32	**28**	25
Other	5	**4**	8
Total	100%	**100%**	100%

(Dollars in Thousands)

9. Retirement Plans (continued)

The following tables summarize fair value measurements at June 30, 2014 and 2013, by asset class and by level, for the System Plans' assets and liabilities. As also discussed in the Fair Value Measurements note, the System follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritizes the inputs used to measure such fair values. The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to the System Plans' assets and liabilities as presented in the following tables.

	Level 1	Level 2	Level 3	Total
June 30, 2014				
Short-term investments	$ 191,495	$ 399	$ –	$ 191,894
Derivatives receivable	7	15,245	19,404	34,656
U.S. government, state, municipal and agency obligations	–	1,704,131	–	1,704,131
Corporate and foreign fixed income securities	–	673,696	47,850	721,546
Asset-backed securities	–	232,484	24,080	256,564
Equity securities	1,649,136	395,372	3,045	2,047,553
Alternative investments and other investments:				
Private equity and real estate funds	–	–	909,980	909,980
Hedge funds	–	–	1,448,274	1,448,274
Commodities funds and other investments	–	–	295,563	295,563
Assets not at fair value				154,023
Total				7,764,184
Derivatives payable	26	160,907	2,980	163,913
Investments sold, not yet purchased	1,555	–	–	1,555
Liabilities not at fair value				133,601
Total				299,069
Fair value of plan assets				$ 7,465,115

(Dollars in Thousands)

9. Retirement Plans (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2013				
Short-term investments	$ 324,803	$ 20,331	$ –	$ 345,134
Derivatives receivable	1,078	337	21,059	22,474
U.S. government, state, municipal and agency obligations	–	1,671,493	1,266	1,672,759
Corporate and foreign fixed income securities	25,843	566,812	53,729	646,384
Asset-backed securities	–	226,920	22,838	249,758
Equity securities	1,317,933	18,741	2,936	1,339,610
Alternative investments and other investments:				
Private equity and real estate funds	–	–	747,864	747,864
Hedge funds	34,708	–	1,452,190	1,486,898
Commodities funds and other investments	–	316,971	271,282	588,253
Assets not at fair value				334,875
Total				7,434,009
Derivatives payable	68	300	248,988	249,356
Investments sold, not yet purchased	3,794	(71)	–	3,723
Liabilities not at fair value				438,546
Total				691,625
Fair value of plan assets				$ 6,742,384

(Dollars in Thousands)

9. Retirement Plans (continued)

For the years ended June 30, 2014 and 2013, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following:

	Net Derivatives	U.S. Government, State, Municipal and Agency Obligations	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Hedge Funds	Commodities Funds and Other Investments
June 30, 2014								
Beginning balance	$ (227,929)	$ 1,266	$ 53,729	$ 22,838	$ 2,936	$ 747,864	$1,452,190	$ 271,282
Total actual return on assets	123,117	23	5,784	1,182	353	70,779	105,507	21,672
Purchases, issuances, and settlements	(108,811)	(1,289)	(9,038)	16,599	(351)	91,337	(109,423)	2,609
Transfers into (out of) Level 3	230,047	–	(2,625)	(16,539)	107	–	–	–
Ending balance	$ 16,424	$ –	$ 47,850	$ 24,080	$ 3,045	$ 909,980	$1,448,274	$ 295,563
Actual return on plan assets relating to plan assets still held at June 30, 2014	$ 16,515	$ –	$ 2,823	$ 869	$ 555	$ 56,528	$ 146,882	$ (20,343)

	Net Derivatives	U.S. Government, State, Municipal and Agency Obligations	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Hedge Funds	Commodities Funds and Other Investments
June 30, 2013								
Beginning balance	$ 8,174	$ 1,903	$ 28,308	$ 14,243	$ 1,514	$ 546,165	$1,187,124	$ 282,320
Acquisitions	–	–	–	–	–	37,048	–	9,994
Total actual return on assets	(154,133)	130	(171)	(89)	5	54,153	147,977	(21,032)
Purchases, issuances, and settlements	(122,486)	(767)	31,994	20,384	1,417	98,174	156,513	–
Transfers into (out of) Level 3	40,516	–	(6,402)	(11,700)	–	12,324	(39,424)	–
Ending balance	$ (227,929)	$ 1,266	$ 53,729	$ 22,838	$ 2,936	$ 747,864	$1,452,190	$ 271,282
Actual return on plan assets relating to plan assets still held at June 30, 2013	$ (280,606)	$ 59	$ (2,202)	$ (115)	$ 227	$ 54,968	$ 147,248	$ (21,024)

(Dollars in Thousands)

9. Retirement Plans (continued)

The Trust has entered into a series of interest rate swap agreements with a net notional amount of $2,958,450. The combined targeted duration of these swaps and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 75% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

The expected long-term rate of return on the System Plans' assets is based on historical and projected rates of return for current and planned asset categories in the investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates. Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

Information about the expected cash flows for the System Plans follows:

Expected employer contributions 2015	$ 41,714
Expected benefit payments:	
2015	502,046
2016	478,701
2017	494,566
2018	502,342
2019	506,546
2020-2024	2,499,041

The contribution amount above includes amounts paid to Trusts. The benefit payment amounts above reflect the total benefits expected to be paid from Trusts.

9. Retirement Plans (continued)

Other Postretirement Benefit Plans

In addition to the retirement plan described above, certain Health Ministries sponsor postretirement benefit plans that provide healthcare benefits to qualified retirees who meet certain eligibility requirements. The total benefit obligation of these plans at June 30, 2014 and 2013, is $44,473 and $45,308, respectively. The net asset included in pension and other postretirement liabilities in the accompanying Consolidated Balance Sheets at June 30, 2014, is $756, while the net obligation included in pension and other postretirement liabilities in the accompanying Consolidated Balance Sheets at June 30, 2013, is $6,624. The change in the plans' assets and benefit obligations recognized in unrestricted net assets during the year ended June 30, 2014, was a decrease of $1,471.

Defined-Contribution Plans

System entities participate in contributory and noncontributory defined-contribution plans covering all eligible associates. There are three primary types of contributions to these plans: employer automatic contributions, employee contributions, and employer matching contributions. Benefits for employer automatic contributions are determined as a percentage of a participant's salary and, for certain entities, increases over specified periods of employee service. These benefits are funded annually, and participants become fully vested over a period of time. Benefits for employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These benefits are funded each payroll period, and participants become fully vested in these employer contributions immediately. Expenses for the defined-contribution plans were $280,223 and $193,856 during 2014 and 2013, respectively.

10. Self-Insurance Programs

Certain System hospitals and other entities participate in pooled risk programs to insure professional and general liability risks and workers' compensation risks to the extent of certain self-insured limits. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. The System provides its self-insurance through various trust funds and captive insurance companies. Actuarially determined amounts, discounted at 6% for the System, are contributed to the trust funds and the captive insurance companies to provide for the estimated cost of claims. The loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported, which are discounted at 6% in 2014 and 2013 for the System. Those entities not participating in the self-insured programs are insured under separate policies.

Professional and General Liability Programs

Professional and general liability coverage is provided on a claims-made or occurrence basis through a wholly owned onshore trust and through AHIL.

The wholly owned onshore trust has a self-insured retention of $10,000 per occurrence with no aggregate. Excess coverage is provided through AHIL with limits up to $205,000. AHIL retains $5,000 per occurrence and $5,000 annual aggregate for professional liability. AHIL also retains a 20% quota share of the first $25,000 of umbrella excess. The remaining excess coverage is reinsured by commercial carriers.

Sunflower Assurance, Inc. (Sunflower) was acquired when Marian Health System joined the System. Sunflower provided excess coverage with limits up to $75,000 above the primary coverage for Via Christi Health and retained 10% of the first reinsurance layer of $10,000 on a quota share basis. The remaining excess coverage was reinsured by commercial carriers. As of October 1, 2013, Via Christi's primary and excess medical professional and general liability and employed physician programs were integrated into the System trust and AHIL. After January 1, 2014, the employer stop loss and employee life insurance coverage provided by Sunflower to Via Christi were not renewed and are in run off.

10. Self-Insurance Programs (continued)

Self-insured entities in the states of Indiana, Kansas, Pennsylvania, and Wisconsin are provided professional liability coverage with limits in compliance with participation in the Patient Compensation Funds. The Patient Compensation Funds apply to claims in excess of the primary self-insured limit, except the Fund in Kansas, which only covers claims up to the first $1,000 and then the trust and AHIL cover amounts above $1,000.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is professional and general liability expense of $99,568 and $68,437 for the years ended June 30, 2014 and 2013, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are professional and general liability loss reserves of $604,846 and $614,913 at June 30, 2014 and 2013, respectively.

AHIL also offers physician professional liability coverage through insurance or reinsurance arrangements to nonemployed physicians practicing at the System's various facilities, primarily in Michigan, Indiana, Texas, Florida and Illinois. Coverage is offered to physicians with limits ranging from $100 per claim to $1,000 per claim with various aggregate limits. Beginning October 1, 2013, AHIL offered similar coverage to employed physicians from Marian Health System in Kansas and Wisconsin.

Edessa Insurance Company Ltd. (Edessa) was acquired as part of the Alexian Brothers business combination effective January 1, 2012. Effective July 1, 2012, the self-insurance programs of Edessa were consolidated into AHIL, and Edessa ceased operations.

10. Self-Insurance Programs (continued)

Workers' Compensation

Workers' compensation coverage is provided on an occurrence basis through a grantor trust. The self-insured trust provides coverage up to $1,500 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members. Prior to October 1, 2013, workers' compensation coverage for Marian Health System was self-insured or commercially insured up to various limits and excess insurance against catastrophic loss was obtained through commercial insurers. As of October 1, 2013, the Marian Systems are provided coverage under the self-insured trust. Premium payments made to the trust are expensed and represent claims reported and claims incurred but not reported.

Included in operating expenses in the accompanying Consolidated Statements of Operations and Changes in Net Assets is workers' compensation expense of $42,052 and $41,699 for the years ended June 30, 2014 and 2013, respectively. Included in current and long-term self-insurance liabilities on the accompanying Consolidated Balance Sheets are workers' compensation loss reserves of $114,237 and $137,825 at June 30, 2014 and 2013, respectively.

(Dollars in Thousands)

11. Lease Commitments

Future minimum payments under noncancelable operating leases with terms of one year or more are as follows:

Year ending June 30:	
2015	$ 188,138
2016	172,635
2017	138,931
2018	104,991
2019	75,410
Thereafter	209,295
Total	$ 889,400

Certain System entities are lessees under operating lease agreements for the use of space in buildings owned by third parties, including medical office buildings (MOBs) and medical and information technology equipment. In addition, certain System entities have subleased space within buildings where the entity has a current operating lease commitment. Certain System entities are also lessors under operating lease agreements, primarily ground leases related to third-party-owned MOBs on land owned by the System entity.

(Dollars in Thousands)

11. Lease Commitments (continued)

The System's future minimum noncancelable payments associated with operating leases where a System entity is the lessee, as well as future minimum noncancelable receipts associated with operating leases where a System entity is the sublessor or lessor, are presented in the table that follows. Future minimum payments and receipts relate to noncancelable leases with terms of one year or more.

	Future Payments Where the System is Lessee	Future Receipts Where the System is Sublessor/ Lessor	Net Future Payments (Receipts)
Year ending June 30:			
2015	$ 188,138	$ 50,118	$ 138,020
2016	172,635	41,175	131,460
2017	138,931	32,104	106,827
2018	104,991	26,333	78,658
2019	75,410	20,626	54,784
Thereafter	209,295	300,833	(91,538)
Total	$ 889,400	$ 471,189	$ 418,211

Rental expense under operating leases amounted to $391,928 and $347,087 in 2014 and 2013, respectively.

12. Contingencies and Commitments

The System is involved in litigation and regulatory investigations arising in the ordinary course of business. Regulatory investigations also occur from time to time. In the opinion of management, after consultation with legal counsel, these matters are expected to be resolved without material adverse effect on the System's Consolidated Balance Sheet.

In March 2013, the System and some of its subsidiaries were named as defendants to litigation surrounding the Church Plan status of its System Plans. On May 9, 2014, the United States District Court, Eastern District of Michigan, Southern Division, issued its Decision and Order Granting Defendants' Motion to Dismiss, which effectively dismissed the case against the System. On June 11, 2014, the plaintiff in the case filed a Notice of Appeal, and the appeal is pending. Regardless of the outcome of such appeal, the System does not believe that this matter will have a material adverse effect on the System's financial position or results of operations.

(Dollars in Thousands)

12. Contingencies and Commitments (continued)

In September 2010, Ascension Health received a letter from the U.S. Department of Justice (the DOJ) in connection with its nationwide review to determine whether, in certain cases, implantable cardioverter defibrillators (ICD) were provided to certain Medicare beneficiaries in accordance with national coverage criteria. In connection with this nationwide review, identified System hospitals are reviewing applicable medical records and responding to the DOJ. The DOJ's investigation spans a time frame beginning in 2003 and extending through the present time. To date, four System hospitals have entered into settlements with the DOJ and the System is having settlement discussions with the DOJ regarding two other System hospitals subject to the ICD investigation.

The System enters into agreements with non-employed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The carrying amounts of the liability for the System's obligation under these guarantees were $37,623 and $44,553 at June 30, 2014 and 2013, respectively, and are included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheets. The maximum amount of future payments that the System could be required to make under these guarantees is approximately $95,700.

The System entered into agreements with sponsors for support through January 2017. The System's obligation under these agreements totals $31,000 at June 30, 2014, and is included in other current and noncurrent liabilities in the accompanying Consolidated Balance Sheet.

The System entered into Master Service Agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately $190,700.

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 26 years. The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Groups at June 30, 2014:

Hospital de la Concepción 2000 Series A debt guarantee	**$ 29,240**
St. Vincent de Paul Series 2000A debt guarantee	**28,300**
Other guarantees and commitments	**36,200**

Supplementary Information

Building a better
working world

Ernst & Young LLP
The Plaza in Clayton
Suite 1300
190 Carondelet Plaza
St. Louis, MO 63105-3434

Tel: +1 314 290 1000
Fax: +1 314 290 1882
ey.com

Report of Independent Auditors on Supplementary Information

The Board of Directors
Ascension Health Alliance d/b/a Ascension

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Net Cost of Providing Care of Persons Living in Poverty and Community Benefit Programs, the Details of Consolidated Balance Sheets, and the Details of Consolidated Statements of Operations and Changes in Net Assets are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

September 11, 2014

Ascension

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs

(Dollars in Thousands)

Years Ended June 30, 2014 and 2013

The net cost of providing care to persons living in poverty and other community benefit programs is as follows:

	Year Ended June 30, 2014	2013
Traditional charity care provided	**$ 580,606**	$ 524,605
Unpaid cost of public programs for persons living in poverty	**641,981**	488,959
Other programs for persons living in poverty and other vulnerable persons	**117,990**	89,923
Community benefit programs	**480,866**	383,583
Care of persons living in poverty and other community benefit programs	**$ 1,821,443**	$ 1,487,070

Ascension

Details of Consolidated Balance Sheet
(Dollars in Thousands)

June 30, 2014

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Reclassification	Consolidated Arlington Heights	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint
Assets							
Current assets:							
Cash and cash equivalents	$ 618,418	$ 351,470	$ –	$ 3,940	$ 10,161	$ 15,119	$ 7,313
Short-term investments	109,081	51,860	–	5,497	–	29	500
Accounts receivable, less allowances for uncollectible accounts ($1,260,407 in 2014)	2,419,616	1,165,698	–	120,498	57,963	72,165	46,071
Inventories	332,739	157,232	–	16,787	7,727	12,067	5,764
Due from brokers	343,757	343,757	–	–	–	–	–
Estimated third-party payor settlements	236,559	150,491	–	445	–	5,166	4,297
Other	562,367	328,739	–	12,235	14,064	12,297	7,014
Total current assets	4,622,537	2,549,247	–	159,402	89,915	116,843	70,959
Long-term investments	15,327,255	9,009,634	6,041,614	19,694	16,877	18,693	844
Interest in investments held by Ascension	–	–	(6,041,614)	369,491	202,929	195,012	177,644
Property and equipment, net	8,410,629	4,076,941	–	692,474	230,893	343,331	153,306
Other assets:							
Investment in unconsolidated entities	649,888	321,157	–	5,163	16,496	9,609	15,382
Capitalized software costs, net	778,705	504,301	–	9,354	2,184	1,022	12,740
Other	1,509,849	947,716	–	18,163	18,548	12,989	15,686
Total other assets	2,938,442	1,773,174	–	32,680	37,228	23,620	43,808
Total assets	$ 31,298,863	$ 17,408,996	$ –	$ 1,273,741	$ 577,842	$ 697,499	$ 446,561

Consolidated Indiana	Consolidated Kalamazoo	Consolidated Lewiston	Consolidated Milwaukee	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 77,988	$ 9,502	$ 3,519	$ 2,973	$ 6,126	$ 19,242	$ 11,118	$ 1,434	$ 14,740	$ 83,773
24,088	–	552	–	–	86	12,221	2,717	–	11,531
371,346	68,915	25,177	87,669	31,049	142,291	34,001	43,049	26,004	127,720
46,718	7,899	3,247	11,453	5,708	18,863	6,615	4,621	3,023	25,015
–	–	–	–	–	–	–	–	–	–
18,433	8,752	–	742	–	13,615	5,634	12,779	2,751	13,454
64,905	10,022	2,410	16,151	7,662	27,322	12,027	3,040	6,158	38,321
603,478	105,090	34,905	118,988	50,545	221,419	81,616	67,640	52,676	299,814
103,181	24,353	319	18,480	4,371	46,681	8,329	530	3,798	9,857
2,743,942	113,811	69,863	128,250	180,136	675,612	283,610	173,750	(4,050)	731,614
628,940	179,507	43,596	612,917	65,489	470,030	102,627	99,028	59,678	651,872
82,229	16,199	–	25,777	898	37,176	13,301	11,333	3,071	92,097
72,537	720	2,686	31,732	5,130	38,015	17,873	2,832	13,842	63,737
241,900	14,579	15,963	31,164	18,990	53,226	22,549	12,447	19,729	66,200
396,666	31,498	18,649	88,673	25,018	128,417	53,723	26,612	36,642	222,034
$ 4,476,207	$ 454,259	$ 167,332	$ 967,308	$ 325,559	$ 1,542,159	$ 529,905	$ 367,560	$ 148,744	$ 1,915,191

Ascension

Details of Consolidated Balance Sheet (continued)
(Dollars in Thousands)

June 30, 2014

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Arlington Heights	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint
Liabilities and net assets						
Current liabilities:						
Current portion of long-term debt	$ 91,532	$ 45,503	$ 4,916	$ 1,120	$ 1,656	$ 4,162
Long-term debt subject to short-term remarketing arrangements	1,345,530	1,345,530	–	–	–	–
Accounts payable and accrued liabilities	2,293,663	1,424,604	90,893	45,091	53,443	45,326
Estimated third-party payor settlements	450,054	199,336	80,106	80	27,284	7,961
Due to brokers	332,169	332,171	–	–	–	–
Current portion of self-insurance liabilities	226,856	179,459	5,466	2,292	1,139	2,441
Other	274,645	119,014	8,877	10,650	13,607	2,399
Total current liabilities	5,014,449	3,645,617	190,258	59,233	97,129	62,289
Noncurrent liabilities:						
Long-term debt (senior and subordinated)	4,994,913	1,883,940	476,212	77,150	114,106	286,710
Self-insurance liabilities	541,859	487,284	21,900	2,182	3,246	3,035
Pension and other postretirement liabilities	428,679	272,905	14,296	–	473	35
Other	1,343,826	960,998	57,173	9,976	67,130	6,098
Total noncurrent liabilities	7,309,277	3,605,127	569,581	89,308	184,955	295,878
Total liabilities	12,323,726	7,250,744	759,839	148,541	282,084	358,167
Net assets:						
Unrestricted						
Controlling interest	16,736,190	8,210,953	504,728	421,417	401,934	84,594
Noncontrolling interests	1,656,106	1,568,493	(507)	–	1,158	–
Unrestricted net assets	18,392,296	9,779,446	504,221	421,417	403,092	84,594
Temporarily restricted	391,226	226,244	8,979	7,419	10,836	3,254
Permanently restricted	191,615	152,562	702	465	1,487	546
Total net assets	18,975,137	10,158,252	513,902	429,301	415,415	88,394
Total liabilities and net assets	$ 31,298,863	$ 17,408,996	$ 1,273,741	$ 577,842	$ 697,499	$ 446,561

Consolidated Indiana	Consolidated Kalamazoo	Consolidated Lewiston	Consolidated Milwaukee	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 6,655	$ 2,341	$ 378	$ 4,531	$ 1,004	$ 6,629	$ 1,992	$ 742	$ 906	$ 8,997
–	–	–	–	–	–	–	–	–	–
199,375	48,212	10,409	36,411	16,191	92,926	26,072	20,943	30,289	153,478
71,731	12,350	5,605	433	2,299	16,713	9,768	1,202	9,993	5,193
–	–	–	–	–	(2)	–	–	–	–
8,893	1,352	480	2,370	493	10,118	1,454	595	995	9,309
64,347	434	997	12,035	7,260	20,968	1,560	7,159	2,022	3,316
351,001	64,689	17,869	55,780	27,247	147,352	40,846	30,641	44,205	180,293
458,502	161,280	26,028	312,163	69,202	401,397	124,862	51,093	62,439	489,829
–	3,110	144	6	1,627	2,997	1,703	2,057	2,568	10,000
81,706	47,431	–	–	53	6,219	–	5,561	–	–
79,903	23,370	2,403	22,591	11,896	28,595	7,970	9,409	6,850	49,464
620,111	235,191	28,575	334,760	82,778	439,208	134,535	68,120	71,857	549,293
971,112	299,880	46,444	390,540	110,025	586,560	175,381	98,761	116,062	729,586
3,380,925	148,782	120,569	558,288	213,522	916,688	345,694	265,674	27,991	1,134,431
47,716	–	–	–	–	7,379	–	–	–	31,867
3,428,641	148,782	120,569	558,288	213,522	924,067	345,694	265,674	27,991	1,166,298
57,415	5,300	319	12,676	2,012	29,231	8,159	2,351	4,691	12,340
19,039	297	–	5,804	–	2,301	671	774	–	6,967
3,505,095	154,379	120,888	576,768	215,534	955,599	354,524	268,799	32,682	1,185,605
$ 4,476,207	$ 454,259	$ 167,332	$ 967,308	$ 325,559	$ 1,542,159	$ 529,905	$ 367,560	$ 148,744	$ 1,915,191

Ascension

Details of Consolidated Balance Sheet
(Dollars in Thousands)

June 30, 2013

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Reclassification	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint	Consolidated Kalamazoo
Assets							
Current assets:							
Cash and cash equivalents	$ 753,555	$ 227,969	$ –	$ 14,826	$ 13,436	$ 5,136	$ 11,691
Short-term investments	113,825	56,921	–	–	–	500	–
Accounts receivable, less allowances for uncollectible accounts ($1,297,609 in 2013)	2,292,521	1,232,225	–	53,294	71,872	48,531	63,725
Inventories	297,233	147,923	–	7,633	12,292	6,714	8,050
Due from brokers	178,380	178,380	–	–	–	–	–
Estimated third-party payor settlements	119,379	56,885	–	–	8,200	9,321	6,897
Other	1,026,397	790,587	–	5,293	13,554	9,805	10,261
Total current assets	4,781,290	2,690,890	–	81,046	119,354	80,007	100,624
Long-term investments	14,156,447	9,955,849	3,686,316	15,104	16,508	1,993	21,788
Interest in investments held by Ascension	–	–	(3,686,316)	180,235	188,196	188,395	139,959
Property and equipment, net	8,274,854	3,905,769	–	240,204	354,150	159,567	161,025
Other assets:							
Investment in unconsolidated entities	628,772	314,276	–	18,717	5,889	14,535	16,876
Capitalized software costs, net	718,122	502,282	–	1,162	1,906	9,590	157
Other	1,487,886	1,150,309	–	12,830	10,309	14,125	23,144
Total other assets	2,834,780	1,966,867	–	32,709	18,104	38,250	40,177
Total assets	$ 30,047,371	$ 18,519,375	$ –	$ 549,298	$ 696,312	$ 468,212	$ 463,573

Consolidated Lewiston	Consolidated Milwaukee	Consolidated Ministry	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Tulsa	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 5,737	$ 4,107	$ 301,544	$ 1,144	$ 12,393	$ 7,949	$ 30,935	$ 3,583	$ 1,201	$ 111,904
565	–	24,023	–	253	11,012	7,916	1,455	–	11,180
21,606	89,751	169,137	31,632	138,556	38,787	129,596	43,103	28,526	132,180
2,875	10,542	27,432	6,168	15,816	6,404	15,766	5,027	2,740	21,851
–	–	–	–	–	–	–	–	–	–
–	1,243	6,299	3,204	7,637	5,075	2,906	8,192	1,327	2,193
1,682	24,876	55,760	5,225	26,362	8,292	22,955	1,677	5,439	44,629
32,465	130,519	584,195	47,373	201,017	77,519	210,074	63,037	39,233	323,937
593	17,864	287,345	3,552	40,060	6,145	69,731	795	2,905	29,899
75,636	111,976	515,452	165,956	588,464	289,425	378,162	146,311	45,419	672,730
39,901	633,556	703,634	64,876	468,500	109,094	660,947	102,293	52,434	618,904
–	24,691	14,223	884	36,252	13,768	76,877	10,050	3,670	78,064
2,404	32,951	29,622	4,631	39,213	17,492	26,638	3,160	12,821	34,093
14,623	16,050	86,082	13,435	39,223	12,229	43,454	13,888	12,567	25,618
17,027	73,692	129,927	18,950	114,688	43,489	146,969	27,098	29,058	137,775
$ 165,622	$ 967,607	$ 2,220,553	$ 300,707	$ 1,412,729	$ 525,672	$ 1,465,883	$ 339,534	$ 169,049	$ 1,783,245

Details of Consolidated Balance Sheet (continued)
(Dollars in Thousands)

June 30, 2013

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint	Consolidated Kalamazoo
Liabilities and net assets						
Current liabilities:						
Current portion of long-term debt	$ 89,869	$ 28,757	$ 1,143	$ 1,692	$ 4,248	$ 2,391
Long-term debt subject to short-term remarketing arrangements	1,187,125	1,187,125	–	–	–	–
Accounts payable and accrued liabilities	2,278,242	1,436,176	40,421	51,261	56,098	45,622
Estimated third-party payor settlements	455,432	361,331	117	16,006	8,984	13,404
Due to brokers	493,420	493,420	–	–	–	–
Current portion of self-insurance liabilities	210,115	172,183	1,934	1,386	2,553	1,308
Other	639,566	434,739	15,904	26,034	62	993
Total current liabilities	5,353,769	4,113,731	59,519	96,379	71,945	63,718
Noncurrent liabilities:						
Long-term debt (senior and subordinated)	5,278,304	1,841,784	78,270	115,834	290,872	163,683
Self-insurance liabilities	553,706	491,977	2,182	3,284	3,311	3,204
Pension and other postretirement liabilities	554,368	341,517	–	2,802	9,752	48,437
Other	1,178,597	846,176	8,285	66,784	6,319	30,686
Total noncurrent liabilities	7,564,975	3,521,454	88,737	188,704	310,254	246,010
Total liabilities	12,918,744	7,635,185	148,256	285,083	382,199	309,728
Net assets:						
Unrestricted						
Controlling interest	14,986,302	9,019,750	392,653	393,055	81,365	148,880
Noncontrolling interests	1,592,356	1,523,448	–	1,128	–	–
Unrestricted net assets	16,578,658	10,543,198	392,653	394,183	81,365	148,880
Temporarily restricted	375,054	245,690	7,930	15,613	4,103	4,674
Permanently restricted	174,915	95,302	459	1,433	545	291
Total net assets	17,128,627	10,884,190	401,042	411,229	86,013	153,845
Total liabilities and net assets	$ 30,047,371	$ 18,519,375	$ 549,298	$ 696,312	$ 468,212	$ 463,573

Consolidated Lewiston	Consolidated Milwaukee	Consolidated Ministry	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Tulsa	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 386	$ 4,625	$ 16,198	$ 1,041	$ 6,400	$ 2,039	$ 8,927	$ 757	$ 925	$ 10,340
–	–	–	–	–	–	–	–	–	–
10,632	46,909	178,263	16,173	86,651	30,578	96,244	21,260	33,151	128,803
5,652	332	12,276	2,446	16,585	10,225	2,405	897	4,750	22
–	–	–	–	–	–	–	–	–	–
782	2,762	–	479	10,023	1,248	5,500	600	1,028	8,329
7,120	13,955	89,771	5,282	27,751	1,578	10,976	3,452	1,949	–
24,572	68,583	296,508	25,421	147,410	45,668	124,052	26,966	41,803	147,494
26,406	316,694	710,719	70,208	407,177	127,466	514,433	51,835	63,345	499,578
157	6	–	1,561	3,069	1,713	12,385	1,950	2,426	26,481
–	3,232	77,463	53	9,652	–	53,595	7,865	–	–
1,957	20,337	70,949	9,746	19,611	6,684	36,559	7,890	6,492	40,122
28,520	340,269	859,131	81,568	439,509	135,863	616,972	69,540	72,263	566,181
53,092	408,852	1,155,639	106,989	586,919	181,531	741,024	96,506	114,066	713,675
112,195	540,891	991,800	192,441	792,910	337,660	703,926	239,989	51,219	987,568
–	–	1,790	–	2,158	–	(89)	–	–	63,921
112,195	540,891	993,590	192,441	795,068	337,660	703,837	239,989	51,219	1,051,489
335	12,112	20,641	1,277	28,455	5,784	11,022	2,288	3,764	11,366
–	5,752	50,683	–	2,287	697	10,000	751	–	6,715
112,530	558,755	1,064,914	193,718	825,810	344,141	724,859	243,028	54,983	1,069,570
$ 165,622	$ 967,607	$ 2,220,553	$ 300,707	$ 1,412,729	$ 525,672	$ 1,465,883	$ 339,534	$ 169,049	$ 1,783,245

Ascension

Details of Consolidated Statement of Operations and Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2014

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Arlington Heights	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint
Operating revenue:						
Net patient service revenue	$ 19,193,307	$ 9,067,510	$ 1,035,923	$ 427,825	$ 678,788	$ 453,861
Less provision for doubtful accounts	1,273,354	749,232	36,260	22,195	47,647	22,438
Net patient service revenue, less provision for doubtful accounts	17,919,953	8,318,278	999,663	405,630	631,141	431,423
Other revenue	2,229,767	1,660,260	47,898	10,972	34,186	18,797
Total operating revenue	20,149,720	9,978,538	1,047,561	416,602	665,327	450,220
Operating expenses:						
Salaries and wages	8,202,294	4,312,146	395,857	193,071	225,976	199,705
Employee benefits	1,747,739	901,150	87,397	31,436	44,878	44,516
Purchased services	1,210,276	132,000	116,791	30,119	91,303	52,913
Professional fees	1,279,459	728,618	54,058	15,841	17,945	36,644
Supplies	2,822,102	1,304,508	132,300	64,005	146,547	64,616
Insurance	128,535	77,220	13,020	2,872	2,513	934
Interest	194,616	90,152	16,272	2,518	7,341	9,372
Depreciation and amortization	899,389	437,997	55,594	18,753	33,465	12,824
Other	2,901,859	1,790,256	124,404	30,356	94,165	26,066
Total operating expenses before impairment, restructuring, and nonrecurring gains (losses), net	19,386,269	9,774,047	995,693	388,971	664,133	447,590
Income (loss) from operations before self-insurance trust fund investment return and impairment restructuring and non recurring gains (losses), net	763,451	204,491	51,868	27,631	1,194	2,630
Self-insurance trust fund investment return	66,174	66,141	–	–	–	–
Impairment, restructuring, and nonrecurring expenses	(223,834)	(185,894)	(1,496)	(3,500)	(449)	(3,863)
Income (loss) from operations	605,791	84,738	50,372	24,131	745	(1,233)
Nonoperating gains (losses):						
Investment return	1,515,819	859,416	36,580	22,134	21,728	18,495
Loss on extinguishment of debt	(1,605)	(1,715)	–	–	(2)	–
Gain (loss) on interest rate swaps	(6,020)	(5,492)	(366)	(3)	(5)	(12)
Income from unconsolidated entities	5,539	2,720	523	218	–	970
Contributions from business combinations	–	–	–	–	–	–
Other	(63,119)	(61,966)	(811)	(1,413)	(550)	(983)
Total nonoperating gains, net	1,450,614	792,963	35,926	20,936	21,171	18,470
Excess (deficit) of revenues and gains over expenses and losses	2,056,405	877,701	86,298	45,067	21,916	17,237
Less noncontrolling interests	245,893	192,515	(71)	–	673	–
Excess of revenues and gains over expenses and losses attributable to controlling interest	1,810,512	685,186	86,369	45,067	21,243	17,237

Consolidated Indiana	Consolidated Kalamazoo	Consolidated Lewiston	Consolidated Milwaukee	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 2,789,133	$ 528,877	$ 150,635	$ 644,593	$ 266,709	$ 1,223,119	$ 304,618	$ 304,290	$ 207,935	$ 1,109,491
135,365	12,934	4,827	44,026	15,807	50,885	13,677	25,037	4,921	88,103
2,653,768	515,943	145,808	600,567	250,902	1,172,234	290,941	279,253	203,014	1,021,388
134,053	29,225	4,449	28,192	11,613	94,846	16,570	11,834	14,294	112,578
2,787,821	545,168	150,257	628,759	262,515	1,267,080	307,511	291,087	217,308	1,133,966
1,005,587	217,427	56,781	247,445	96,640	396,309	125,997	109,919	108,865	510,569
238,249	57,643	11,521	48,319	15,370	84,881	26,066	24,255	17,592	114,466
299,632	64,607	14,574	68,062	33,882	135,218	45,361	21,747	31,579	72,488
137,806	47,701	10,986	50,615	5,718	65,929	25,072	17,460	17,126	47,940
357,986	75,173	32,726	65,191	55,165	230,190	48,248	43,448	25,826	176,173
11,853	2,625	263	1,754	1,073	4,460	1,727	1,217	1,876	5,128
14,609	4,878	850	10,189	2,320	12,991	4,321	1,668	1,932	15,203
103,797	18,002	5,536	39,769	11,949	62,406	13,697	12,041	9,015	64,544
331,081	53,506	8,651	74,621	28,219	168,491	23,653	39,622	22,214	86,554
2,500,600	541,562	141,888	605,965	250,336	1,160,875	314,142	271,377	236,025	1,093,065
287,221	3,606	8,369	22,794	12,179	106,205	(6,631)	19,710	(18,717)	40,901
–	–	–	–	–	–	–	–	–	33
(15,743)	(4,148)	(684)	(2,060)	67	(1,281)	(2,306)	(179)	(2,298)	–
271,478	(542)	7,685	20,734	12,246	104,924	(8,937)	19,531	(21,015)	40,934
301,790	16,049	7,598	12,186	19,007	72,147	32,973	17,532	2,904	75,280
52	(2)	–	–	–	2	60	–	–	–
(19)	(7)	(1)	(13)	(3)	(16)	(5)	(2)	(74)	(2)
588	–	–	–	–	–	169	–	351	–
–	–	–	–	–	–	–	–	–	–
7,894	(984)	(191)	(556)	(1)	(829)	(347)	(787)	217	(1,812)
310,305	15,056	7,406	11,617	19,003	71,304	32,850	16,743	3,398	73,466
581,783	14,514	15,091	32,351	31,249	176,228	23,913	36,274	(17,617)	114,400
23,839	–	–	–	–	15,050	–	–	–	13,887
557,944	14,514	15,091	32,351	31,249	161,178	23,913	36,274	(17,617)	100,513

Ascension

Details of Consolidated Statement of Operations and Changes in Net Assets (continued)
(Dollars in Thousands)

Year Ended June 30, 2014

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Arlington Heights	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint
Unrestricted net assets, controlling interest:						
Excess (deficit) of revenues and gains over expenses and losses	$ 1,810,512	$ 685,186	$ 86,369	$ 45,067	$ 21,243	$ 17,237
Transfer (to) from sponsors and other affiliates, net	(6,566)	330,100	(15,661)	(14,949)	(18,805)	(13,428)
Contributed net assets	(1,534)	(1,411)	–	–	–	–
Membership interest changes, net	45,255	–				
Net assets released from restrictions for property acquisitions	62,537	40,651	1,618	1,308	6,433	347
Pension and other postretirement liability adjustments	23,990	3,103	2,139	(2,660)	–	(940)
Change in unconsolidated entities' net assets	4,571	(973)	–	–	–	13
Other	(24,514)	(11,794)	43	(2)	8	–
Increase in unrestricted net assets, controlling interest, before (loss) gain from discontinued operations and cumulative effect of change in accounting principle	1,914,251	1,044,862	74,508	28,764	8,879	3,229
(Loss) gain from discontinued operations	(164,363)	(164,363)	–	–	–	–
Increase (decrease) in unrestricted net assets, controlling interest	1,749,888	880,499	74,508	28,764	8,879	3,229
Unrestricted net assets, noncontrolling interest:						
Excess of revenues and gains over expenses and losses	245,893	192,515	(71)	–	673	–
Distributions of capital	(531,159)	(496,742)	–	–	(622)	–
Contributions of capital	401,546	362,901	–	–	(21)	–
Membership interest changes, net	(52,530)	–	–	–	–	–
Increase (decrease) in unrestricted net assets, noncontrolling interest	63,750	58,674	(71)	–	30	–
Temporarily restricted net assets, controlling interest						
Contributions and grants	99,885	64,457	4,266	2,021	2,161	1,636
Investment return	31,292	19,972	576	177	344	255
Net assets released from restrictions	(115,353)	(73,738)	(4,791)	(2,709)	(7,226)	(2,740)
Other	348	(253)	(262)	–	(56)	–
Increase (decrease) in temporarily restricted net assets, controlling interest	16,172	10,438	(211)	(511)	(4,777)	(849)
Permanently restricted net assets, controlling interest						
Contributions	10,405	8,426	–	–	1	–
Investment return	7,942	7,350	–	6	53	1
Other	(1,647)	(828)	(480)	–	–	–
Increase in permanently restricted net assets, controlling interest	16,700	14,948	(480)	6	54	1
Increase in net assets	1,846,510	964,559	73,746	28,259	4,186	2,381
Net assets, beginning of period	17,128,627	9,193,693	440,156	401,042	411,229	86,013
Net assets, end of period	$ 18,975,137	$ 10,158,252	$ 513,902	$ 429,301	$ 415,415	$ 88,394

Consolidated Indiana	Consolidated Kalamazoo	Consolidated Lewiston	Consolidated Milwaukee	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 557,944	$ 14,514	$ 15,091	$ 32,351	$ 31,249	$ 161,178	$ 23,913	$ 36,274	$ (17,617)	$ 100,513
(134,079)	(16,002)	(5,270)	(16,675)	(10,562)	(44,027)	(17,605)	(10,959)	(6,649)	(11,995)
–	–	–	–	(123)	–	–	–	–	–
									45,255
5,247	667	119	42	–	4,978	449	321	37	320
(2,762)	723	(1,566)	1,679	517	2,326	1,276	20	693	19,442
–	–	–	–	–	–	–	–	–	5,531
(227)	–	–	–	–	(677)	1	29	308	(12,203)
426,123	(98)	8,374	17,397	21,081	123,778	8,034	25,685	(23,228)	146,863
–	–	–	–	–	–	–	–	–	–
426,123	(98)	8,374	17,397	21,081	123,778	8,034	25,685	(23,228)	146,863
23,839	–	–	–	–	15,050	–	–	–	13,887
(17,370)	–	–	–	–	(12,891)	–	–	–	(3,534)
25,481	–	–	–	–	3,062	–	–	–	10,123
									(52,530)
31,950	–	–	–	–	5,221	–	–	–	(32,054)
9,829	2,029	186	–	1,069	3,470	2,439	521	3,718	2,083
4,145	423	–	–	34	3,513	461	84	–	1,308
(8,489)	(1,824)	(202)	(42)	(368)	(6,937)	(658)	(421)	(2,791)	(2,417)
(427)	(2)	–	606	–	730	133	(121)	–	–
5,058	626	(16)	564	735	776	2,375	63	927	974
1,679	6	–	–	–	14	4	23	–	252
429	–	–	–	–	–	103	–	–	–
(258)	–	–	52	–	–	(133)	–	–	–
1,850	6	–	52	–	14	(26)	23	–	252
464,981	534	8,358	18,013	21,816	129,789	10,383	25,771	(22,301)	116,035
3,040,114	153,845	112,530	558,755	193,718	825,810	344,141	243,028	54,983	1,069,570
$ 3,505,095	$ 154,379	$ 120,888	$ 576,768	$ 215,534	$ 955,599	$ 354,524	$ 268,799	$ 32,682	$ 1,185,605

Ascension

Details of Consolidated Statement of Operations and Changes in Net Assets
(Dollars in Thousands)

Year Ended June 30, 2013

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint
Operating revenue:					
Net patient service revenue	$ 16,326,684	$ 10,272,825	$ 419,247	$ 651,936	$ 454,997
Less provision for doubtful accounts	1,124,409	794,303	18,230	24,205	16,563
Net patient service revenue, less provision for doubtful accounts	15,202,275	9,478,522	401,017	627,731	438,434
Other revenue	1,334,623	794,194	12,085	39,997	20,584
Total operating revenue	16,536,898	10,272,716	413,102	667,728	459,018
Operating expenses:					
Salaries and wages	6,974,951	4,526,008	198,232	219,244	204,060
Employee benefits	1,528,119	992,104	30,490	46,792	56,617
Purchased services	955,440	348,971	25,020	84,559	45,083
Professional fees	1,093,446	736,221	17,997	15,979	37,184
Supplies	2,334,427	1,355,338	59,966	138,758	62,523
Insurance	109,178	79,023	886	3,330	1,393
Interest	150,877	73,494	2,737	7,595	10,269
Depreciation and amortization	730,757	452,706	17,661	34,350	11,814
Other	2,140,182	1,337,001	32,436	91,757	29,311
Total operating expenses before impairment, restructuring, and nonrecurring gains (losses), net	16,017,377	9,900,866	385,425	642,364	458,254
Income (loss) from operations before self-insurance trust fund investment return and impairment restructuring and non recurring gains (losses), net	519,521	371,850	27,677	25,364	764
Self-insurance trust fund investment return	34,985	35,003	–	–	–
Impairment, restructuring, and nonrecurring expenses	(103,344)	(147,013)	(1,030)	(4,156)	(2,774)
Income (loss) from operations	451,162	259,840	26,647	21,208	(2,010)
Nonoperating gains (losses):					
Investment return	736,300	606,540	15,619	14,348	12,813
Loss on extinguishment of debt	(4,079)	(4,079)	–	–	–
Gain (loss) on interest rate swaps	53,746	47,817	(17)	5	(63)
Income from unconsolidated entities	8,544	4,044	1,308	–	884
Contributions from business combinations	2,021,963	2,021,963	–	–	–
Other	(69,524)	(60,745)	(1,253)	(416)	(1,110)
Total nonoperating gains, net	2,746,950	2,615,540	15,657	13,937	12,524
Excess (deficit) of revenues and gains over expenses and losses	3,198,112	2,875,380	42,304	35,145	10,514
Less noncontrolling interests	131,184	122,083	–	566	–
Excess of revenues and gains over expenses and losses attributable to controlling interest	3,066,928	2,753,297	42,304	34,579	10,514

Consolidated Kalamazoo	Consolidated Lewiston	Consolidated Milwaukee	Consolidated Ministry	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Tulsa	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 541,397	$ 139,838	$ 627,323	$ 336,232	$ 267,116	$ 1,233,158	$ 325,126	$ 265,372	$ 286,577	$ 232,461	$ 273,079
18,544	4,878	32,113	22,577	19,318	76,041	13,681	35,334	18,233	14,407	15,982
522,853	134,960	595,210	313,655	247,798	1,157,117	311,445	230,038	268,344	218,054	257,097
35,972	4,375	32,469	214,863	9,682	100,610	8,581	14,710	13,443	14,162	18,896
558,825	139,335	627,679	528,518	257,480	1,257,727	320,026	244,748	281,787	232,216	275,993
223,624	52,762	249,296	179,165	97,823	418,120	132,001	113,942	110,711	124,977	124,986
65,053	11,788	49,138	45,898	15,970	91,851	28,779	21,140	25,258	18,818	28,423
64,243	13,407	65,230	43,099	30,145	123,539	44,631	11,314	17,868	25,476	12,855
43,276	8,716	48,550	22,608	7,115	67,410	29,607	8,790	17,635	19,764	12,594
74,159	30,127	66,824	50,083	53,361	232,769	50,032	44,606	44,915	27,330	43,636
2,680	365	2,410	1,662	1,644	5,694	1,810	1,790	1,170	2,595	2,726
5,694	931	11,168	3,226	2,950	14,406	4,595	5,434	1,829	2,344	4,205
18,126	4,807	45,622	16,840	10,606	60,228	11,318	11,760	12,070	7,778	15,071
56,285	9,162	78,534	164,539	27,434	181,908	26,830	20,884	33,263	26,481	24,357
553,140	132,065	616,772	527,120	247,048	1,195,925	329,603	239,660	264,719	255,563	268,853
5,685	7,270	10,907	1,398	10,432	61,802	(9,577)	5,088	17,068	(23,347)	7,140
–	–	–	–	–	–	–	–	(1)	–	(17)
(1,489)	(500)	(5,111)	45,607	(351)	177	(1,624)	22,648	(4,101)	(1,161)	(2,466)
4,196	6,770	5,796	47,005	10,081	61,979	(11,201)	27,736	12,966	(24,508)	4,657
10,657	5,437	5,462	(12,275)	12,805	41,675	24,614	(5,451)	10,278	4,641	(10,863)
–	–	–	–	–	–	–	–	–	–	–
(35)	(6)	(68)	6,506	(13)	(88)	(56)	(236)	(10)	14	(4)
–	–	–	–	–	–	104	–	–	522	1,682
–	–	–	–	–	–	–	–	–	–	–
(1,286)	(524)	(462)	(2,575)	–	(916)	(292)	272	(502)	71	214
9,336	4,907	4,932	(8,344)	12,792	40,671	24,370	(5,415)	9,766	5,248	(8,971)
13,532	11,677	10,728	38,661	22,873	102,650	13,169	22,321	22,732	(19,260)	(4,314)
–	–	–	(39)	–	7,406	–	–	–	–	1,168
13,532	11,677	10,728	38,700	22,873	95,244	13,169	22,321	22,732	(19,260)	(5,482)

Ascension

Details of Consolidated Statement of Operations and Changes in Net Assets (continued)
(Dollars in Thousands)

Year Ended June 30, 2013

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint	Consolidated Kalamazoo
Unrestricted net assets, controlling interest:						
Excess (deficit) of revenues and gains over expenses and losses	$ 3,066,928	$ 2,753,297	$ 42,304	$ 34,579	$ 10,514	$ 13,532
Transfer (to) from sponsors and other affiliates, net	(9,152)	74,813	(7,390)	(8,680)	(4,616)	(5,912)
Contributed net assets	(1,050)	(2,574,751)	–	–	–	–
Net assets released from restrictions for property acquisitions	65,706	44,364	8,064	885	390	751
Pension and other postretirement liability adjustments	76,483	13,459	424	1,176	(2,219)	5,789
Change in unconsolidated entities' net assets	23,295	23,119	–	–	176	–
Other	4,507	2,449	–	47	(1,343)	4
Increase in unrestricted net assets, controlling interest, before (loss) gain from discontinued operations and cumulative effect of change in accounting principle	3,226,717	336,750	43,402	28,007	2,902	14,164
(Loss) gain from discontinued operations	(76,829)	(76,829)	–	–	–	–
Cumulative effect of change in accounting principle	–	–	–	–	–	–
Increase (decrease) in unrestricted net assets, controlling interest	3,149,888	259,921	43,402	28,007	2,902	14,164
Unrestricted net assets, noncontrolling interest:						
Excess of revenues and gains over expenses and losses	131,184	122,083	–	566	–	–
Distributions of capital	(829,989)	(820,355)	–	(731)	–	–
Contributions of capital	1,579,187	1,578,269	–	–	–	–
Contributions from business combinations	64,738	99	–	(9)	–	–
Increase (decrease) in unrestricted net assets, noncontrolling interest	945,120	880,096	–	(174)	–	–
Temporarily restricted net assets, controlling interest:						
Contributions and grants	88,841	64,485	2,632	5,016	753	1,532
Investment return	17,232	13,996	186	309	152	286
Net assets released from restrictions	(108,193)	(71,793)	(10,087)	(2,983)	(798)	(2,047)
Contributions from business combinations	44,201	–	–	–	–	–
Other	1,088	2,931	–	(44)	–	57
Increase (decrease) in temporarily restricted net assets, controlling interest	43,169	9,619	(7,269)	2,298	107	(172)
Permanently restricted net assets, controlling interest:						
Contributions	2,664	2,326	–	19	11	5
Investment return	1,598	1,622	3	39	1	–
Contributions from business combinations	67,846	2	–	–	–	–
Other	(368)	28	–	–	–	–
Increase in permanently restricted net assets, controlling interest	71,740	3,978	3	58	12	5
Increase in net assets	4,209,917	1,153,614	36,136	30,189	3,021	13,997
Net assets, beginning of period	12,918,710	9,730,576	364,906	381,040	82,992	139,848
Net assets, end of period	$ 17,128,627	$ 10,884,190	$ 401,042	$ 411,229	$ 86,013	$ 153,845

Consolidated Lewiston	Consolidated Milwaukee	Consolidated Ministry	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Tulsa	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 11,677	$ 10,728	$ 38,700	$ 22,873	$ 95,244	$ 13,169	$ 22,321	$ 22,732	$ (19,260)	$ (5,482)
(2,330)	(12,041)	–	(4,513)	(21,085)	(8,968)	–	(5,330)	(3,100)	–
–	–	920,665	(250)	–	–	664,297	–	–	988,989
110	2,208	–	171	6,816	1,118	–	96	409	324
(1,336)	5,473	30,566	675	1,184	(487)	16,903	142	1,101	3,633
–	–	–	–	–	–	–	–	–	–
–	–	1,869	760	–	2	405	(246)	456	104
8,121	6,368	991,800	19,716	82,159	4,834	703,926	17,394	(20,394)	987,568
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
8,121	6,368	991,800	19,716	82,159	4,834	703,926	17,394	(20,394)	987,568
–	–	(39)	–	7,406	–	–	–	–	1,168
–	–	(57)	–	(7,830)	–	–	–	–	(1,016)
–	–	817	–	–	–	–	–	–	101
–	–	1,069	–	–	–	(89)	–	–	63,668
–	–	1,790	–	(424)	–	(89)	–	–	63,921
173	63	1,612	837	3,109	1,145	2,301	540	3,424	1,219
1	–	(113)	23	2,358	248	(179)	62	–	(97)
(167)	(2,208)	–	(980)	(7,200)	(1,356)	(2,203)	(536)	(4,210)	(1,625)
–	–	21,229	–	–	–	11,103	–	–	11,869
–	1,105	(2,087)	(3)	(1,041)	–	–	170	–	–
7	(1,040)	20,641	(123)	(2,774)	37	11,022	236	(786)	11,366
–	–	90	–	150	33	–	30	–	–
–	–	(146)	–	–	79	–	–	–	–
–	–	51,129	–	–	–	10,000	–	–	6,715
–	2	(390)	–	–	–	–	(8)	–	–
–	2	50,683	–	150	112	10,000	22	–	6,715
8,128	5,330	1,064,914	19,593	79,111	4,983	724,859	17,652	(21,180)	1,069,570
104,402	553,425	–	174,125	746,699	339,158	–	225,376	76,163	–
$ 112,530	$ 558,755	$ 1,064,914	$ 193,718	$ 825,810	$ 344,141	$ 724,859	$ 243,028	$ 54,983	$ 1,069,570

Attachment C.7(b)

American College of Radiology Certification

AMERICAN COLLEGE OF RADIOLOGY

American College of Radiology

Magnetic Resonance Imaging Services of

Howell Allen Clinic

2214 Elliston Place
Suite 200
Nashville, Tennessee 37203

were surveyed by the
Committee on MRI Accreditation of the
Commission on Quality and Safety

The following magnet was approved

General Electric LX 2004

For

Head, Spine

Accredited from:

April 17, 2014 through April 17, 2017

CHAIRMAN, COMMITTEE ON MRI ACCREDITATION

PRESIDENT, AMERICAN COLLEGE OF RADIOLOGY

MRAP# 04191-C

Affidavit

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Davidson

Fahad Tahir, being first duly sworn, says that he/she is the applicant named in this application or his/her lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Tennessee Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to questions in this application or any other questions deemed appropriate by the Tennessee Health Services and Development Agency are true and complete.

CEO

Signature/Title

Sworn to and subscribed before me this the 13 day of August, 2015, a Notary Public in and for the County of Davidson, State of Tennessee.

NOTARY PUBLIC

My Commission expires 1/9/2018.

DIANE FRANKLIN STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY, TENN.

HF-0056

Revised 7/02 - All forms prior to this date are obsolete

State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CONSENT CALENDAR

September 1, 2015

Michael Brent, Esq.
Bradley, Arant, Boult, Cummings LLP.
1600 Division St, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application -- Saint Thomas Health - CN1508-033
To acquire the existing MRI unit approved in Neurological Surgeons, P.C, CN9902-013AM and initiate MRI services with no change in the location of the medical group's location at 2214 Elliston Place, Suite 200, Nashville (Davidson County), Tennessee. The estimated project cost is $2,213,165.44.

Dear Mr. Brent:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 30-day review cycle for **CONSENT CALENDAR** for this project will begin on September 1, 2015. The first thirty (30) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the thirty (30)-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on October 28, 2015.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

(5) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(6) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Melanie M. Hill

Melanie M. Hill
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA

State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill
Executive Director

DATE: September 1, 2015

RE: Certificate of Need Application
Saint Thomas Health - CN1508-033

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on September 1, 2015 and end on November 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Michael Brent

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in Tennessean, which is a newspaper of general circulation in Davidson County, Tennessee, on or before August 10, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.,* and the Rules of the Health Services and Development Agency, that Saint Thomas Medical Partners (a Tennessee nonprofit corporation wholly owned by Saint Thomas Network, which is a Tennessee nonprofit corporation wholly owned by Saint Thomas Health, a Tennessee nonprofit corporation), intends to file an application for a Certificate of Need for the acquisition of an MRI and initiation of MRI services, to be owned and managed by the applicant. The MRI service is currently provided in a physician practice located at 2214 Elliston Place, Suite 200, in Nashville, Tennessee, 37203. The existing equipment, a GE Horizon short bore MRI with magnet strength of 1.5 Tesla, will be purchased as part of the acquisition of the physician practice and the MRI will continue to be used for the patients of the practice. The estimated project cost is $2,213,165.

The anticipated filing date of the application is on or before August 14, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babc.com.

[signature]	8/10/15	mbrent@babc.com
(Signature)	(Date)	(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental #1
-Original-

St. Thomas Medical Partners

CN1508-033

BRADLEY ARANT
BOULT CUMMINGS
LLP

Michael D. Brent
Direct: 615.252.2361
Fax: 615.252.6361
mbrent@babc.com

August 25, 2015

Ms. Jeff Grimm
Tennessee Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

RE: Saint Thomas Medical Partners
CN1508-033

Dear Jeff:

Enclosed you will find an original, plus two copies, of a the First Supplemental Response for the CON Application by Saint Thomas Medical Partners, an affiliate of the Saint Thomas Network, related to the acquisition of the physician practice known as the "Howell Allen Clinic," and the MRI operated as a part of that practice.

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Michael D. Brent

MDB/cae

7/3705485.1

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

August 25, 2015

Michel D. Brent, Attorney
Bradley Arant Boult Cummings, LLC
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application Saint Thomas Medical Partners d/b/a Saint Thomas Medical Partners-Neurosurgery-Imaging Center, CN1508-033

Acquisition of MRI and Initiation of MRI Service

Dear Mr. Brent,
This will acknowledge our August 14, 2015 receipt of your **Consent Calendar Request** regarding your application for a Certificate of Need to acquire the existing MRI unit approved in Neurological Surgeons, P.C, CN9902-013AM and initiate MRI services under the ownership and management of ST. Thomas Partners, a wholly owned affiliate of the Saint Thomas Health Network, at 2214 Elliston Place, Suite 200, Nashville (Davidson County), Tennessee.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 PM, August 25, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

SUPPLEMENTAL #1
August 25, 2015
3:48 pm

1. **Proof of Publication**

The copy of the published LOI in the Tennessean is missing the date it was published and is difficult to read. Please submit a copy of the published LOI with date & mast intact or a publisher's affidavit that verifies same.

Response: Please see Supplemental Attachment – Proof of Publication for a copy of the published LOI.

2. **Section A, Applicant Profile, Item 1**

As the contact for the applicant may be aware, all approved Certificates of Need are site specific. Review of HSDA records reflected that the site approved in the CN9902-013AM was changed in 2003 from 2018 Murphy Avenue to its present location at 2214 Elliston Place in 2003. Please briefly describe the reason for the change.

Response: As heard on April 23, 2003 for the General Counsel's report, the move from 2018 Murphy Avenue to 2214 Elliston Place was approved per the excerpted minutes below.

> **Neurological Surgeons. P.C. - Project No. CN9902-013A**
> Relocation of medical equipment.
> John R. Voigt, Esq., representing the applicant spoke on behalf of the project.
> Ms. Cunningham moved for approval of the request by amending the current Certificate of Need for the relocating the MRI to a designated Location of 400 yards and the upgrade of equipment. Mr. Koella seconded the motion. Mr. Moore stated that this request is granted by the modification of the existing Certificate of Need to reflect the revisions as stated in the motion. The motion CARRIED [5-2-1]. **APPROVED**
> AYE: Moore, Koella, Cunningham, Atchley, Caldwell
> NAY: Weaver, Shackleford
> ABSTAINED: Duckett

3. **Section A, Applicant Profile, Item 6**

Other than the copy of the lease assignment and assumption document effective 8/11/15 between the applicant and the Howell Allen Clinic, P.C. Clinic, please include a brief description that identifies ownership of the building containing the MRI service at 2214 Elliston Place in Nashville. If different than Howell Allen Clinic, it would be helpful to provide documentation that attests to the building owner's approval or permission to assign the lease to the applicant.

Response: The building located at 2214 Elliston Place is owned by Elliston Place Limited Partnership, successor in interest to NS Leasing, LLC, the lessor under

SUPPLEMENTAL #1
August 25, 2015
3:48 pm

the July 1, 2004 Office Lease Agreement (the "Lease"). Section 9 of the Lease (included as a part of Attachment A.6 of the Application) permits the Lease to be assigned in connection with the sale of all or substantially all of the lessee's assets.

4. **Section B, Applicant Profile, Item 13 and Section C, Economic Feasibility, Item 6.B**

The response is noted. Will professional fees for MRI interpretation services by licensed radiologists be reimbursed by the applicant? If the radiologists will be billing separately using their own provider certification/registration numbers, what assurances apply such that the radiologists will hold Medicare and Medicaid provider certification and will be contracted with the same TennCare MCO plans as the applicant? Please briefly discuss the arrangements planned in this regard.

Response: As previously noted, the Applicant is an affiliate of Saint Thomas Health, which has a relationship in place with a group of Tennessee-licensed radiologists to provide interpretation services for its affiliates. The Applicant and the radiology group would enter into a new professional services agreement (the "PSA") for the subject MRI location. Pursuant to the PSA, the radiology group would be reimbursed by directly billing third-party payors and would be required to maintain Medicare and Medicaid/TennCare certification. The PSA would also require the radiology group to see the Applicant's patients without regard to their source of payment.

5. **Section B, Project Description, Item II.A.**

Please expand the executive summary by identifying counties included in the primary service area (PSA) proposed for this project. In your response, please briefly address any key differences from the PSA approved in CN9902-013.

In terms of background, the applicant states that the MRI unit approved in CN9902-013 will be purchased as part of the acquisition of the physician practice and will continue to be used for the patients of the practice. However, it appears that referrals for MRI studies are not limited exclusively to patients of the practice. Rather, referrals by other physicians affiliated with the Saint Thomas Network will occur as well as referrals from non-affiliated physicians in the applicant's service area. Please clarify.

Since issued, the name of the medical group and the location of the approved MRI service have changed. Please provide a brief description that offers some background about the changes.

Please also provide some general background information about the Howell Allen medical group such as such as year organized, current number of practicing physicians, medical specialties, estimated total registered patients as of 8/1/2015, and locations of offices in Davidson County.

Response: Though the practice is located in the Davidson County medical district area, it does pull patients from other counties within Tennessee and other states as well. In fact, in 2014, 499 of the practice's patients originated outside of Tennessee. When analyzing Tennessee patients exclusively, Davidson County accounts for 31.37% of the MRI's procedures. Davidson County accounts for

27.56% of the MRI's procedures when analyzing all MRI procedures. Using the same parameters, Cheatham accounts for 2.58% and 2.27%, Robertson 4.94% and 4.34%, Rutherford 5.49% and 4.82%, Sumner 9.9% and 8.7%, Williamson 8.85% and 7.77%, and Wilson 4.93% and 4.39%. The clinic has significantly fewer patients from Montgomery, Dickson, and Maury Counties, but they have more significant numbers than the remaining Tennessee counties, which individually account for approximately 60 procedures and under with most accounting for much fewer procedures. These three counties account for 4.27% and 3.75%, 2.91% and 2.56%, and 2.58% and 2.27% of the clinic's volumes, respectively.

In 2007 Neurological Surgeons, P.C. changed its name to Howell Allen Clinic as shown in <u>Supplemental Attachment – Section B Project Description, Item II.A</u>, according to the records of the Tennessee Secretary of State.

Howell Allen Clinic was founded April 1, 1983 and currently has 14 physicians, each of whom is listed below, practicing at its locations. Howell Allen Clinic offers medical services related to sports concussions, stereotactic radiosurgery, spine surgery, and benign and malignant brain tumors. It has approximately 20,000 total registered patients as of August 1, 2015, and has locations at 4230 Harding Pike, Suite 810, 5651 Frist Boulevard, Suite 400, 2011 Murphy Avenue, Suites 400 and 301, and 3443 Dickerson Pike, Suite 230 (all locations in Davidson County).

Dr. Everette Howell
Dr. Vaughan Allen
Dr. Timothy Schoettle
Dr. Gregory Lanford
Dr. Steven Abram
Dr. Scott Standard
Dr. Carl Hampf
Dr. Jason Hubbard
Dr. Paul McCombs
Dr. John Spooner
Dr. Brian O'Shaughnessy
Dr. Richard Lebow
Dr. Adam Reig
Dr. John Culclasure

6. **Section B, Project Description, Item II.B. and Item II.E.**

<u>Item II.B</u> –Please briefly describe general features of the building that will house the applicant's proposed MRI service in Suite 200 at 2214 Elliston Place in Nashville. Information might include age & size of building, number of floors, primary entrances/exits, and public areas.

It appears that the MRI service has 522 SF of dedicated space plus another 2,612 SF of common area space available for its use in the 9,146 gross SF of leased medical office space (Suite 200) at the Elliston Place building. Is this an accurate interpretation of the information provided? In your response, please briefly describe dedicated clinical/admin support space, patient waiting, other tenants on same floor closest to the MRI area, etc.

<u>Response:</u> The building at 2214 Elliston Place was built in 2004 and consists of 27,192 total square feet in three equally sized stories. Suite 200 is the entire

SUPPLEMENTAL #1

August 25, 2015
3:48 pm

second floor of the building, so there are no tenants neighboring the applicant on the same floor. There is a detached parking garage on the north of the property, which is also the location of the primary entrance to the clinic space. The primary entrance to this space is a walkway from the connected parking garage, which comes directly into the second floor of the building. There is also an elevator located in a common lobby on the first floor of the building, which will take patients to the second floor waiting/reception area, and can be used by patients entering from the street level rather than from the parking garage.

Within the second floor of the building, the amount of space solely dedicated to the MRI equipment is 522 SF. There is also 1,001 SF dedicated to other forms of imaging which is not subject to CON review (x-ray, CT, and RF). The common areas shared by all patients were allocated based on the revenues of each type of imaging, resulting in the allocation of 2,612 SF of common area space to MRI. The common areas, as shown on the floor plan submitted with the Application (attachment B.IV), include storage areas, reception and waiting area, restrooms, dressing rooms, a nurses' station, support staff offices, circulation areas, and related spaces.

Item II.E:
1.a.1 – Total Cost – the applicant notes a cost of $934,700 for the 1.5 Tesla GE Horizon MRI unit. This amount is reflected in the Project Cost Chart as the sum of the equipment cost ($359,960) and service contract ($574,740). However, review of Schedule A in the 2/2015 copy of the 5-year service agreement document in Attachment B.II.E.1 revealed a service cost of approximately $675,500 ($135,100 per year x 5 years). Please explain. In your response, please also provide documentation from the MRI equipment vendor that confirms the $359,960 MRI equipment amount used in the Project Costs Chart.

Response:

The Applicant included the cost of the service contract at $574,740, as that was the calculated amount that will be due for the remaining term of the contract at the time of completion of the closing for the physician practice acquisition, and related MRI acquisition. The amount of approximately $675,500 ($135,100 per year x 5 years) estimated by the reviewer was for the full 5 year term of the contract, but the contract commenced in March, 2015, for a period of 60 months. Therefore, at the time of closing the amount due for the then-remaining term of the service contract (taking into account some reduced costs during the first six months of the contract) will be approximately $574,740.

No equipment vendor is involved in the acquisition of the MRI. The $359,960 is the price negotiated between the Applicant and Howell Allen Clinic, and is specified in the Purchase Option Agreement attached as Supplemental Attachment - Section B Project Description, Item II.E - Purchase Option Agreement.

7. **Section C, Need, Item 1 (Project Specific Criteria)**

Non-specialty stationary MRI utilization (page 23) – It is understood that the project does not involve documenting need for the addition of a MRI unit to the service area. Please provide a comparison to the MRI service's historical utilization by completing the table below (note information for 2014 is now

SUPPLEMENTAL #1

August 25, 2015

3:48 pm

available from the HSDA Equipment Registry – please contact Alecia Craighead, Stat III for questions).

	2012	2013	2014	% change '12-'14	2015 (estimated)	Projected Year 1	Projected Year 2
As a % of 2,880 MRI standard	154%	175%	147%	-7%	147%	147%	147%

Access to MRI Units (page 24) – The response on page 14 (recap of Need) indicates that Davidson County residents accounted for approximately 30% of the Howell-Allen clinic's total MRI procedures in 2014. Please also identify utilization by patient county of origin for other counties that account for the majority or approximately 75% of the clinic's total volumes in 2014.

Response: In addition to Davidson County, Cheatham, Robertson, Rutherford, Sumner, Williamson, and Wilson Counties, which are listed below in the Historical & Projected MRI Utilization & use by Residents of PSA chart, account for 60% of the clinic's total volumes in 2014. Montgomery, Dickson, and Maury Counties account for 3.75%, 2.56%, and 2.27% of the clinic's volumes, respectively. The patient origins for the remaining clinic volumes are scattered throughout Tennessee and other states. Please note, the total volume for 2014 for Howell Allen Clinic is 4,104 procedures, as reflected throughout the original application and this supplemental response. The differing number was submitted in error.

Handling of Emergencies (page 29) – please address arrangements for physician supervision and a hospital emergency transfer agreement. Please also include a description of arrangements planned for MRI imaging interpretation services by Tennessee licensed radiologists.

Response: As noted above, the Applicant will enter into a PSA with a Saint Thomas Health-affiliated radiology group for MRI imaging interpretation services. The PSA will specify the group's obligations regarding scheduling on-site and on-call physicians for on-site supervision and/or MRI interpretation. The Applicant intends to enter into a transfer agreement with its Saint Thomas Health affiliate, Saint Thomas Midtown Hospital, which is less than a mile from the Applicant's location, as to the transfer of any patient who encounters an emergency during an MRI procedure.

8. Section C, Need, Item 3

The proposed Primary Service Area is Davidson County. The service area approved in Neurological Surgeons, PC, CN9902-013 included Davidson and its contiguous counties located in Middle Tennessee. Review of this response and the map in the application appears to limit the PSA to Davidson County. Please briefly explain why the contiguous counties were excluded from the PSA for this project.

Please complete the table below showing patient origin in 2014 and Year 1 with volumes by county of residence.

Response: The Applicant misstated the Primary Service Area – it is the intent of the Applicant that the Primary Service Area for the project remain Davidson County and its contiguous counties: Cheatham, Robertson, Rutherford, Sumner, Williamson, and Wilson Counties. As detailed in the chart below, Howell Allen Clinic performed 3,605 procedures on Tennessee residents and 499 patients who reside outside Tennessee in 2014.

Historical & Projected MRI Utilization & use by Residents of PSA

County of Residence	Howell-Allen MRI Procedures 2014	as a % of Total MRI Procedures 2014	Total MRI procedures by County Residents 2014	Applicant's Projected MRI Procedures Year 1
Davidson	1,131	27.56%	55,087	1,131
Cheatham	93	2.27%	3,917	93
Dickson	105	2.56%	5,552	105
Maury	93	2.27%	9,952	93
Montgomery	154	3.75%	13,187	154
Robertson	178	4.34%	7,084	178
Rutherford	198	4.82%	24,504	198
Sumner	357	8.7%	16,001	357
Williamson	319	7.77%	18,089	319
Wilson	180	4.39%	11,380	180
Other TN Counties & Other States	1,648	40.16%	396,397*	1,648
Total	4,104	100%	561,150*	4,104

*Tennessee procedures only.

9. **Section C, Need. Item 5 (Historical Utilization in PSA)**

The table is noted. However, HSDA Equipment Registry now has data for MRI utilization in 2014, including utilization by residents of Davidson County in 2014. Please revise the table by using the format illustrated in the table below.

Utilization of Existing MRI Providers in Davidson County, 2012-2014

Provider Name	Type	*Current # Units	Distance from Applicant (miles)	2012	2013	2014	% Change '12-'14	Use by County Residents in 2014**
Belle Meade Imaging	ODC	1	3.3	2,817	3,085	2,834	.60%	743
Center for Inflammatory Disease	PO	0	N/A	63	19	N/A	-100%	N/A
Elite Sports Medicine & Orthopaedic Center	PO	2	0.2	4,781	4,771	5,701	19.24%	2,016
Heritage	PO	1*	0.5	1,831	1,965	1,561	-14.75%	749

SUPPLEMENTAL #1
August 25, 2015
3:48 pm

Provider Name	Type	*Current # Units	Distance from Applicant (miles)	2012	2013	2014	% Change '12-'14	Use by County Residents in 2014**
Medical Associates - Murphy Avenue								
Hillsboro Imaging	ODC	1	1.9	3,968	4,252	4,359	9.85%	1,705
Millennium MRI, LLC	ODC	1*	0.8	366	451	455	24.32%	81
Nashville Bone and Joint	PO	1*	13.5	953	939	945	-0.84%	476
Nashville General Hospital	HOSP	1	1.5	1,481	1,775	1,725	16.48%	1,531
Howell Allen Clinic, P.C. (f/k/a Neurological Surgeons, PC)	PO	1	N/A	4,305	4,891	5,012	16.42%	
Next Generation Imaging, LLC	ODC	1*	0.8	649	859	826	27.27%	126
One Hundred Oaks Breast Center	H-Imaging	1	6.4	679	682	728	7.22%	194
One Hundred Oaks Imaging	ODC	2	6.4	5,226	5,430	5,613	7.41%	2,173
Outpatient Diagnostic Center of Nashville	ODC	2	0.4	4,878	5,044	5,268	8.00%	3,008
Pain Management Group, PC	PO	1	15.6	2,451	2,712	2,306	-5.92%	529
Premier Orthopeadics and Sports Medicine	ODC	2	10.5	5,214	4,471	4,930	-5.45%	2,582
Premier Radiology Belle Meade	ODC	3	3.7	7,686	6,929	5,656	-26.41%	2,441
Premier Radiology Brentwood	ODC	1	9.4	2,058	1,356	2,723	157.37%	1,053
Premier Radiology Hermitage	ODC	2	14.7	4,943	4,603	4,980	0.75%	2,820
Premier Radiology Midtown	ODC	2	0.4	0	1,351	3,054	126.05%	1,478
Premier Radiology	ODC	1	0.8	2,376	2,072	1,872	-21.21%	1,200

SUPPLEMENTAL #1
August 25, 2015
3:48 pm

Provider Name	Type	*Current # Units	Distance from Applicant (miles)	2012	2013	2014	% Change '12-'14	Use by County Residents in 2014**
Nashville								
Premier Radiology St. Thomas West	ODC	1	2.9	N/A	N/A	1,910	N/A	717
Specialty MRI	ODC	1*	0.5	1,467	1,158	792	-46.01%	269
St. Thomas Heart (Stopped 2013)	ODC	N/A	N/A	1,609	N/A	N/A	N/A	N/A
St. Thomas Midtown Hospital (fka Baptist Hospital)	HOSP	7	0.4	4,752	3,249	2,856	-39.90%	1,593
St. Thomas West Hospital (fka St. Thomas Hospital)	HOSP	2	2.9	5,631	5,464	4,596	-18.38%	1,313
Tennessee Oncology, PET Services	PO	1	0.5	279	1,168	1,422	409.68%	501
Tennessee Orthopaedic Alliance Imaging	PO	3	0.4	7,163	6,325	7,388	3.14%	3,646
TriStar Centennial Medical Center	HOSP	3	0.3	7,996	8,840	9,037	13.02%	3,520
TriStar Skyline Medical Center	HOSP	2	9.0	7,930	8,234	7,611	-4.02%	3,359
TriStar Southern Hills Medical Center	HOSP	1	9.6	2,659	2,740	2,642	-0.64%	1,901
TriStar Summit Medical Center	HOSP	1	13.5	4,008	4,020	4,091	2.07%	2,244
TriStar Summit Medical Center - ODC	HODC	1*	13.1	1,918	2,249	2,099	9.44%	1,111
Vanderbilt University Hospital	HOSP	6	0.8	28,706	29,507	29,381	2.35%	6,406

*Shared
**Percentage of residents receiving treatment within county of residence.

10. Item 6 (Applicant's Projected Utilization)

The projected utilization is noted. It would help to have an appreciation of utilization resulting from referrals by physicians in Year 1 – both physician members of the practice and physicians of other practices located in the primary service area (PSA). Please clarify.

SUPPLEMENTAL #1
August 25, 2015
3:48 pm

In your response, please complete the table below.

Applicant's Projected MRI Volumes by Physician Specialty – Not Applicable

Primary Specialty	MRI procedures as a result of referrals by MD Practice members	MRI Procedures As a result of other Physicians in PSA	Total MRI Procedures Year 1
Family Practice			
Internal Medicine			
Orthopedics			
Radiology			
Neurology			
Neurosurgery			
Other ______			
TOTAL			

<u>**Response**</u>: The Applicant is not completing the chart above because there are no physicians who refer patients to the clinic from other practices. Moreover, all of the physicians at Howell Allen Clinic are neurologists and neurosurgeons.

11. Section C, Economic Feasibility Items 1 (Project Costs Chart) and II (Funding)

<u>Item I.</u> - As noted previously, please clarify the cost and service agreement of the MRI unit.

Given the facility lease cost, please show the methodology used to determine the higher of the applicant's lease cost or estimated fair market value (FMV) of the office space, as prorated for use by the MRI service.

Please identify the actual out of pocket cash outlay the applicant expects to support the start-up costs of the project?

<u>Item II.</u> – The 8/13/2015 letter from the Interim CFO of Saint Thomas Health appears to be missing confirmation that the funding will be provided from cash reserves. Please clarify.

Review of the Consolidated Balance Sheet for Saint Thomas Health revealed that current assets were lower than current liabilities for the period ending June 30, 2014 resulting in an unfavorable Current ratio. Please discuss further the plans for supporting the project from cash reserves of the parent company.

<u>**Response:**</u>

Item I-

The Applicant included the cost of the MRI service contract at $574,740, as that was the calculated amount that will be due for the remaining term of the contract at the time of completion of the closing for the physician practice acquisition, and related MRI acquisition. The equipment price was negotiated between the

Applicant and Howell Allen Clinic, and is specified at $359,960 in the Purchase Option Agreement attached as Supplemental Attachment - Section B Project Description, Item II.E - Purchase Option Agreement.

The methodology used to determine the higher of the applicant's lease cost or estimated fair market value (FMV) of the office space, was as follows: The applicant took the appraised value of the entire building (land and improvements), as determined by the Davidson County Assessor of Property ($4,797,100), divided that by one-third for the entire amount of space subject to lease, and then allocated that third by the percentage of the leased space related to the MRI services, for a total of $895,459. To determine the applicant's lease cost the applicant took the total rent remaining original lease term of approximately 3.5 years, added the 5-year renewal option period, and estimated the rent which would be due during that period of approximately 8.5 years (using the provisions of the lease as to rental amounts, included estimated annual increases), and then allocated that total estimated remaining rental amount by the percentage of the leased space related to the MRI services, to arrive at a total of $1,243,497. As $1,243,497 exceeded the FMV allocation amount of $895,459, the amount of $1,243,497 was used in line b.1 of the Project Costs Chart.

As this is already a fully operational business, the applicant does not any actual out of pocket cash outlay for start-up costs. If there are temporary delays in the collections of receivables during the transitioning of the business to the applicant the applicant has sufficient cash reserves, as well as sufficient cash flows from other aspects of its business, to cover any such delays.

Item II-
Please see a revised letter from the Interim CFO of Saint Thomas Health attached as Supplemental Attachment – Section C, Economic Feasibility, Item II - Funding indicating that the funding will come from cash reserves.

As a subsidiary of Ascension Health Alliance d/b/a Ascension, the balance sheet of Saint Thomas Health is included in the consolidated financial statements of Ascension. While Ascension's current ratio might be negative, Saint Thomas Health's Current ratio is positive with $221,419 in assets and $147,352 in liabilities, as shown in the attached excerpt to Ascension Health's consolidated financial statement at Supplemental Attachment – Section C, Economic Feasibility, Item II - Financial Statement Excerpt.

12. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)

Both Charts –
Please provide a detail or breakout of "Other Expenses", such as annual costs related to the MRI service agreement and fees to radiologists for imaging interpretation services.

Historical Data Chart-Other Expenses (MRI)			
Other Expenses Categories	**Year 2014**	**Year 2013**	**Year 2012**
Fees/Licenses	$4,878	$4,723	$5,395

SUPPLEMENTAL #1
August 25, 2015
3:48 pm

Rent	$239,956	$232,341	$265,379
Repairs/Maintenance	$231,834	$224,477	$256,396
Utilities	$32,429	$31,400	$35,865
Waste Disposal	$1,616	$1,565	$1,787
Cable	$1,394	$1,350	$1,542
Equip. Rental	$4,091	$3,961	$4,524
Radiologist Fees	$299,031	$289,542	$330,713
Purchased Services	$88,175	$85,377	$97,517
Telephone, etc.	$14,156	$13,707	$15,656
Laundry	$15,456	$14,966	$17,093
Total Expenses	$933,016	$903,410	$1,031,867

Projected Data Chart – Other Expenses (MRI)		
Other Expenses Categories	**Year 2016**	**Year 2017**
Fees/Licenses	$5,175	$5,330
Rent	$254,569	$262,206
Repairs/Maintenance	$245,953	$253,332
Utilities	$34,404	$35,436
Waste Disposal	$1,714	$1,765
Cable	$1,479	$1,523
Equip. Rental	$4,340	$4,470
Radiologist Fees	$317,242	$326,759
Purchased Services	$93,545	$96,351
Telephone, etc.	$15,018	$15,469
Laundry	$16,397	$16,889
Total Expenses	$989,837*	$1,019,532*

*Please note that the totals for this category were mistakenly calculated as $999,837 for 2016 and $1,029,833 for 2017. The amounts above reflect the corrected amounts.

Projected Data Chart –
Please provide a breakout of the base salary and full time equivalent positions by classification used to determine Salaries and Wages in Line D. 1 of the chart.

Howell Allen Clinic Staffing			
Position	**Base Salary**	**Current Salary**	**FTE**
MRI Tech	$50,000	$52,801-$54,500	3
Front Desk	$20,000	$14,487-$22,440	2.5
Registered Nurse	$50,000	$55,000	1
Imaging Manager	$75,000	$85,000	1

Response:

The amount for the applicant's annual lease cost, prorated for the space used by the MRI service is missing from the chart. Please clarify.

Response: The annual allocable lease cost for 2015 is $118,467, for 2016 it is $122,021, and for 2017 it is $125,681.

13. Section C., Economic Feasibility, Items 5 and 6.a.

SUPPLEMENTAL #1
August 25, 2015
3:48 pm

Item 5 - Review of the Historical and Projected Data Charts revealed that the MRI gross charge was approximately $1639/procedure in 2014 and is expected to increase to approximately $1,739/procedure in Year 1 of the project. These amounts are not reflected in the table provided on page 39. Please explain. If in error, please revise the table and submit a replacement page for the application labeled as 39-R.

Response: The numbers previously submitted in both charts on page 39 were submitted in error. Please find enclosed as Supplemental Attachment - Section C, Economic Feasibility, Item 5 the requested replacement page 39 to reflect the revised charts.

Item 6.a - Please also include a comparison to HSDA Equipment Registry MRI range of charges in the response (1st Quartile, Median, 3rd Quartile).

Response: The current and proposed charges are both below the Median Charges of $2,175.15 for 2013.

14. Section C, Economic Feasibility, Item 9

Please show the percentages by payor in Year 1 of the project by completing the table below.

MRI Service Payor Mix, Year 1

Payor Source	Gross Revenue Year 1	Gross Revenue as a % of total Year 1	Average Gross Charge per MRI procedure*
Medicare	$2,342,410	32.83%	$1,738
TennCare	$114,159	1.60%	$1,738
Managed care	$700,654	9.82%	$1,738
Commercial	$3,922,091	54.97%	$1,738
Self-Pay	$6,421	.09%	$1,738
Other	$49,231	.69%	$1,738
Total	$7,134,968	100%	$1,738

*Charges depend on CPT code, not payor.

15. Section C, Orderly Development, Item 4

What arrangements are planned for MRI imaging interpretation services by Tennessee licensed radiologist?

Response: The applicant will enter into a PSA with a Saint Thomas Health-affiliated radiology group, which would provide interpretation services and physician supervision of MRI imaging services pursuant to the PSA. The radiology group would bill payors directly and be required to maintain Medicare and Medicaid certification and accept all Applicant patients no matter the source of payment.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is October 20, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. ϶ 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Jeff Grimm
Health Examiner
Tennessee Health Services & Development Agency

SUPPLEMENTAL #1

August 25, 2015

3:48 pm

AFFIDAVIT

SUPPLEMENTAL #1

August 25, 2015

3:48 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Saint Thomas Medical Partners d/b/a Saint Thomas Medical Partners - Neurosurgery - Imaging Center

I, Fahad Tahir, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

CEO

Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 25 day of August, 2015, witness my hand at office in the County of DAVIDSON, State of Tennessee.

Diane Franklin

NOTARY PUBLIC

My commission expires January 9, 2018.

DIANE FRANKLIN STATE OF TENNESSEE NOTARY PUBLIC DAVIDSON COUNTY, TENN.

HF-0043

Revised 7/02

SUPPLEMENTAL #1

August 25, 2015
3:48 pm

Supplemental Attachment – Proof of Publication

SUPPLEMENTAL #1
August 25, 2015
3:48 pm

AFFIDAVIT OF PUBLICATION

0000642775

Newspaper The Tennessean

TEAR SHEET ATTACHED

State of Tennessee

Account Number NAS-534576

Advertiser BRADLEY ARANT BOULT CUMMINGS A

RE: C/M: 206841- 301003 - NOI - SAINT THOMAS MEDICAL PARTNERS

V Perry ______ Sales Assistant for the above mentioned newspaper,

hereby certify that the attached advertisement appeared in said newspaper on the following dates:

08/10/15

V Perry

Subscribed and sworn to before me this 10 day of Aug

____
Notary Public

SUPPLEMENTAL #1

August 25, 2015
3:48 pm

THE TENNESSEAN

Middle Tennesse

Public Notices

Public Notices

0000642775

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Saint Thomas Medical Partners (a Tennessee nonprofit corporation wholly owned by Saint Thomas Network, which is a Tennessee nonprofit corporation wholly owned by Saint Thomas Health, a Tennessee nonprofit corporation), intends to file an application for a Certificate of Need for the acquisition of an MRI and initiation of MRI services, to be owned and managed by the applicant. The MRI service is currently provided in a physician practice located at 2214 Elliston Place, Suite 200, in Nashville, Tennessee, 37203. The existing equipment, a GE Horizon short bore MRI with magnet strength of 1.5 Tesla, will be purchased as part of the acquisition of the physician practice and the MRI will continue to be used for the patients of the practice. The estimated project cost is $2,213,165.

The anticipated filing date of the application is on or before August 14, 2015. The contact person for this project is Michael D. Brent, Esq., who may be reached at Bradley Arant Boult Cummings LLP, 1600 Division Street, Suite 700, Nashville, Tennessee 37203. Mr. Brent's telephone number is (615) 252-2361 and his e-mail address is mbrent@babc.com.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1), (A) any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at, or prior to, the

this project will be a minimum of TBD. See http
com/business-diversity-development/Pages/d
information.

Visit http://www.flynashville.com/business-o
default.aspx for more information about this sc

Public Notices

Pub

REQUEST FOR QUALIFICATIONS

THE METROPOLITAN NASHVILLE AIRPORT AUTHORITY
Statements of Qualifications from engineering firms with
planning and engineering for the **CIP 1614, LONG TERM PA**
project at the Nashville International Airport, Nash

ELECTRONIC STATEMENTS OF QUALIFICATIONS should b
www.aerobidz.aero by **5:00 p.m. (local time), September 24**
with Aerobidz is available by contacting Nena Bowling at aer
com. A complete RFQ package may be downloaded from
August 10, 2015.

A Pre-Proposal Meeting will be conducted at **1:00p.m. (**
2015, in the Nashville International Airport, Board Room, 4
Nashville, Tennessee. Attendance at this meeting

The Small, Minority and Women-owned Business Enterpris
level established for the DESIGN portion of this project will
AND FIFTEEN HUNDREDTHS PERCENT (4.15%) MBE AND
PERCENT (6.8%) WBE. See http://www.flynashville.co
development/Pages/default.aspx for more in

Visit http://www.flynashville.com/business-opportunities/Pa
information about this solicitation.

TN-0001071451

Public Notices

Pub

0000645174

NOTIFICATION OF INTENT TO APPLY FOR

SUPPLEMENTAL #1

August 25, 2015

3:48 pm

Supplemental Attachment – Section B, Project Description, Item II.A

SUPPLEMENTAL #1

August 25, 2015
3:48 pm

Tennessee Secretary of State

Tre Hargett

BUSINESS SERVICES | CHARITABLE | ELECTIONS | PUBLICATIONS | LIBRARY & ARCHIVES | CONTACT US

Business Services Online > Find and Update a Business Record > Business Entity Detail

Online Payments will be unavailable due to maintenance on August 28, 2015 beginning at 9:00 PM CST through August 29th, 12:01 AM cst. We apologize for the inconvenience.

Business Entity Detail

Available Entity Actions

File Annual Report (after 12/01/2015)

Certificate of Existence

Cease Business in Tennessee

Entity details cannot be edited. This detail reflects the current state of the filing in the system.

Return to the Business Information Search.

000125457: For-profit Corporation - Domestic

Printer Friendly Version

Name: HOWELL ALLEN CLINIC A PROFESSIONAL CORPORATION

Old Name: NEUROLOGICAL SURGEONS, P.C.

Status: Active

Initial Filing Date: 02/22/1983

Formed In: TENNESSEE

Delayed Effective Date:

Fiscal Year Close: December

AR Due Date: 04/01/2016

Term of Duration: Perpetual

Inactive Date:

Principal Office: 2011 MURPHY AVE STE 301
NASHVILLE, TN 37203-2023 USA

Mailing Address: 2011 MURPHY AVE STE 301
NASHVILLE, TN 37203-2023 USA

AR Exempt: No

Obligated Member Entity: No

Shares of Stock: 10,000

Assumed Names | History | Registered Agent

Name	Status	Expires
NEUROLOGICAL SURGEONS, P.C.	Inactive - Name Cancelled	02/25/2004
NASHVILLE SPINE CENTER, P.C.	Inactive - Name Cancelled	11/04/1996

Division of Business Services
312 Rosa L. Parks Avenue, Snodgrass Tower, 6th Floor
Nashville, TN 37243
615-741-2286

Email | Directions | Hours and Holidays | Methods of Payment

Business Filings and Information (615) 741-2286 | TNSOS.CORPINFO@tn.gov

Certified Copies and Certificate of Existence (615) 741-6488 | TNSOS.CERT@tn.gov

Motor Vehicle Temporary Liens (615) 741-0529 | TNSOS.MVTL@tn.gov

Uniform Commercial Code (UCC) (615) 741-3276 | TNSOS.UCC@tn.gov

Workers' Compensation Exemption Registrations (615) 741-0526 | TNSOS.WCER@tn.gov

Apostilles & Authentications (615) 741-0536 | TNSOS.ATS@tn.gov

Summons (615) 741-1799 | TNSOS.ATS@tn.gov

SUPPLEMENTAL #1

August 25, 2015
3:48 pm

Supplemental Attachment – Section B, Project Description, Item II.E - Purchase Option Agreement

PURCHASE OPTION AGREEMENT

THIS PURCHASE OPTION AGREEMENT (this "Agreement") is entered into as of August 12, 2015, by and between HOWELL ALLEN CLINIC, P.C., a Tennessee professional corporation ("HAC"), and SAINT THOMAS MEDICAL PARTNERS, a Tennessee nonprofit corporation ("STMP").

RECITALS

WHEREAS, HAC and STMP have entered into a Professional Services Agreement ("PSA") which contemplates STMP's acquisition of a GE Horizon short bore MRI (the "MRI") from HAC in connection with STMP's planned operation of an imaging center located at 2214 Elliston Place, Suite 200, Nashville, Tennessee; and

WHEREAS, in furtherance of the parties' obligations under the PSA and STMP's application for a Certificate of Need in connection with the MRI, STMP and HAC are entering into this Agreement under which HAC grants STMP an option to purchase the MRI on the terms set forth below.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing premises and the promises and mutual covenants contained herein, and for other good and valuation consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **GRANT OF OPTION TO PURCHASE.** HAC hereby grants to STMP the irrevocable right at STMP's option (the "Purchase Option"), during the Option Period (as defined below) to purchase the MRI, free and clear of all security interests, liens, claims or encumbrances of any kind, in exchange for payment in cash of the Purchase Price (as defined below).

2. **OPTION PERIOD.** The "Option Period" shall commence on the date set forth above and continue through December 1, 2015.

3. **PURCHASE PRICE.** The total purchase price for the MRI shall be $359,960 ("Purchase Price") and shall be paid in accordance with the terms of the Asset Purchase Agreement to be entered into by the parties.

4. **EXERCISE OF THE PURCHASE OPTION.** STMP shall provide written notice to HAC of its exercise of the Purchase Option on or before December 1, 2015.

5. **FURTHER ASSURANCES.** In the event of the exercise of the Purchase Option by STMP, the parties shall execute and deliver all such further documents and instruments and take all such further actions as may be necessary in order to consummate the transactions contemplated hereby.

6. **NOTICES**. All notices, requests and other communications hereunder shall be in writing (and shall be deemed to have been duly received if so given) and given by hand delivery, by overnight courier or by registered or certified mail (postage prepaid, return receipt requested) at the addresses set forth below:

To STMP:

Saint Thomas Medical Partners
Attn: Chief Executive Officer
102 Woodmont Boulevard, Suite 800
Nashville, TN 37205

With a copy to:
Saint Thomas Health
Attn: General Counsel
102 Woodmont Boulevard, Suite 800
Nashville, TN 37205

To HAC:
Howell Allen Clinic, P.C.
2011 Murphy Avenue, Suite 301
Nashville, TN 37203
Attn: President

7. **CHOICE OF LAW**. This Agreement shall be construed, and the rights and liabilities of the parties hereto determined, in accordance with the laws of the State of Tennessee.

8. **SUCCESSORS AND ASSIGNS**. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and the affiliates of STMP. Neither party may assign this Agreement with the prior written consent of the other party except that STMP may assign this Agreement to an affiliate.

9. **AMENDMENTS; WAIVERS**. This Agreement may not be amended, supplemented or otherwise modified except upon the execution and delivery of a written agreement by the parties. No waiver by either party of any of the provisions hereof shall be effective unless explicitly set forth in writing and executed by the party so waiving. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

10. **COUNTERPARTS**. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

11. **HEADINGS**. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

SUPPLEMENTAL #1

August 25, 2015
3:48 pm

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

SAINT THOMAS MEDICAL PARTNERS

By: ______________________
Karen Springer,
President and CEO, Saint Thomas Health
Dated: 08-11-15

HOWELL ALLEN CLINIC, P.C.

By: ______________________
Name: Gregory Lanford, M.D.
Title: President
Dated: 8/13/15

The undersigned signature is for internal approval purposes only.

____
Fahad Tahir, FACHE
CEO, Saint Thomas Medical Partners

SUPPLEMENTAL #1

August 25, 2015
3:48 pm

Supplemental Attachment – Section C, Economic Feasibility, Item II – Funding

Revised Letter from Interim CFO

SUPPLEMENTAL #1

August 25, 2015
3:48 pm

Saint Thomas Health

August 25, 2015

Ms. Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application – Howell Allen Clinic

Dear Ms. Hill,

Saint Thomas Health has a centralized cash management program for managing and investing operating funds for all Saint Thomas Health hospitals and clinics, including Howell Allen Clinic. This letter is to confirm Saint Thomas Health has available more than sufficient resources to fund the projected CON cost of $2.2 million required to acquire the MRI and initiate MRI services in association with the acquisition of Howell Allen Clinic.

Sain Thomas Health will be funding this $2.2 million acquisition of the Howell Allen MRI machine from cash reserves. As evidence of Saint Thomas Health's ability to provide the necessary capital, the following information is offered.

1. Ascension Health, the parent company of Saint Thomas Health, had $618,418,000 in cash and cash equivalents as of June 30, 2014. Ascension Health had $15,327,255,000 in long-term investments as of June 30, 2014.
2. Saint Thomas Health had a current ration of 1.5 as of June 30, 2014.
3. Ascension Health has a current rating of Aa2, Aa2/VMIG 1, and Aa2/P-1, subordinated debt ratings of Aa3 and Aa3/VMIG 1, and commercial paper rating of P-1 by Moody's Investor Service.

Thank you for your attention to this matter.

Sincerely,

Lisa Davis
Interim Chief Financial Officer

SUPPLEMENTAL #1

August 25, 2015

3:48 pm

Supplemental Attachment – Section C, Economic Feasibility, Item II - Financial Statement Excerpt

Ascension

Details of Consolidated Balance Sheet
(Dollars in Thousands)

June 30, 2014

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Reclassification	Consolidated Arlington Heights	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint
Assets							
Current assets:							
Cash and cash equivalents	$ 618,418	$ 351,470	$ –	$ 3,940	$ 10,161	$ 15,119	$ 7,313
Short-term investments	109,081	51,860	–	5,497	–	29	500
Accounts receivable, less allowances for uncollectible accounts ($1,260,407 in 2014)	2,419,616	1,165,698	–	120,498	57,963	72,165	46,071
Inventories	332,739	157,232	–	16,787	7,727	12,067	5,764
Due from brokers	343,757	343,757	–	–	–	–	–
Estimated third-party payor settlements	236,559	150,491	–	445	–	5,166	4,297
Other	562,367	328,739	–	12,235	14,064	12,297	7,014
Total current assets	4,622,537	2,549,247	–	159,402	89,915	116,843	70,959
Long-term investments	15,327,255	9,009,634	6,041,614	19,694	16,877	18,693	844
Interest in investments held by Ascension	–	–	(6,041,614)	369,491	202,929	195,012	177,644
Property and equipment, net	8,410,629	4,076,941	–	692,474	230,893	343,331	153,306
Other assets:							
Investment in unconsolidated entities	649,888	321,157	–	5,163	16,496	9,609	15,382
Capitalized software costs, net	778,705	504,301	–	9,354	2,184	1,022	12,740
Other	1,509,849	947,716	–	18,163	18,548	12,989	15,686
Total other assets	2,938,442	1,773,174	–	32,680	37,228	23,620	43,808
Total assets	$ 31,298,863	$ 17,408,996	$ –	$ 1,273,741	$ 577,842	$ 697,499	$ 446,561

SUPPLEMENTAL #1
August 25, 2015
3:48 pm

Consolidated Indiana	Consolidated Kalamazoo	Consolidated Lewiston	Consolidated Milwaukee	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 77,988	$ 9,502	$ 3,519	$ 2,973	$ 6,126	$ 19,242	$ 11,118	$ 1,434	$ 14,740	$ 83,773
24,088	–	552	–	–	86	12,221	2,717	–	11,531
371,346	68,915	25,177	87,669	31,049	142,291	34,001	43,049	26,004	127,720
46,718	7,899	3,247	11,453	5,708	18,863	6,615	4,621	3,023	25,015
–	–	–	–	–	–	–	–	–	–
18,433	8,752	–	742	–	13,615	5,634	12,779	2,751	13,454
64,905	10,022	2,410	16,151	7,662	27,322	12,027	3,040	6,158	38,321
603,478	105,090	34,905	118,988	50,545	221,419	81,616	67,640	52,676	299,814
103,181	24,353	319	18,480	4,371	46,681	8,329	530	3,798	9,857
2,743,942	113,811	69,863	128,250	180,136	675,612	283,610	173,750	(4,050)	731,614
628,940	179,507	43,596	612,917	65,489	470,030	102,627	99,028	59,678	651,872
82,229	16,199	–	25,777	898	37,176	13,301	11,333	3,071	92,097
72,537	720	2,686	31,732	5,130	38,015	17,873	2,832	13,842	63,737
241,900	14,579	15,963	31,164	18,990	53,226	22,549	12,447	19,729	66,200
396,666	31,498	18,649	88,673	25,018	128,417	53,723	26,612	36,642	222,034
$ 4,476,207	$ 454,259	$ 167,332	$ 967,308	$ 325,559	$ 1,542,159	$ 529,905	$ 367,560	$ 148,744	$ 1,915,191

Ascension

Details of Consolidated Balance Sheet (continued)

(Dollars in Thousands)

June 30, 2014

	Consolidated Ascension	Consolidated Ascension less Health Ministries Presented	Consolidated Arlington Heights	Consolidated Baltimore	Consolidated Birmingham	Consolidated Flint
Liabilities and net assets						
Current liabilities:						
Current portion of long-term debt	$ 91,532	$ 45,503	$ 4,916	$ 1,120	$ 1,656	$ 4,162
Long-term debt subject to short-term remarketing arrangements	1,345,530	1,345,530	–	–	–	–
Accounts payable and accrued liabilities	2,293,663	1,424,604	90,893	45,091	53,443	45,326
Estimated third-party payor settlements	450,054	199,336	80,106	80	27,284	7,961
Due to brokers	332,169	332,171	–	–	–	–
Current portion of self-insurance liabilities	226,856	179,459	5,466	2,292	1,139	2,441
Other	274,645	119,014	8,877	10,650	13,607	2,399
Total current liabilities	5,014,449	3,645,617	190,258	59,233	97,129	62,289
Noncurrent liabilities:						
Long-term debt (senior and subordinated)	4,994,913	1,883,940	476,212	77,150	114,106	286,710
Self-insurance liabilities	541,859	487,284	21,900	2,182	3,246	3,035
Pension and other postretirement liabilities	428,679	272,905	14,296	–	473	35
Other	1,343,826	960,998	57,173	9,976	67,130	6,098
Total noncurrent liabilities	7,309,277	3,605,127	569,581	89,308	184,955	295,878
Total liabilities	12,323,726	7,250,744	759,839	148,541	282,084	358,167
Net assets:						
Unrestricted						
Controlling interest	16,736,190	8,210,953	504,728	421,417	401,934	84,594
Noncontrolling interests	1,656,106	1,568,493	(507)	–	1,158	–
Unrestricted net assets	18,392,296	9,779,446	504,221	421,417	403,092	84,594
Temporarily restricted	391,226	226,244	8,979	7,419	10,836	3,254
Permanently restricted	191,615	152,562	702	465	1,487	546
Total net assets	18,975,137	10,158,252	513,902	429,301	415,415	88,394
Total liabilities and net assets	$ 31,298,863	$ 17,408,996	$ 1,273,741	$ 577,842	$ 697,499	$ 446,561

1403-1210450

Consolidated Indiana	Consolidated Kalamazoo	Consolidated Lewiston	Consolidated Milwaukee	Consolidated Mobile	Consolidated Nashville	Consolidated Saginaw and Tawas	Consolidated Waco	Consolidated Washington D.C.	Consolidated Wichita
$ 6,655	$ 2,341	$ 378	$ 4,531	$ 1,004	$ 6,629	$ 1,992	$ 742	$ 906	$ 8,997
–	–	–	–	–	–	–	–	–	–
199,375	48,212	10,409	36,411	16,191	92,926	26,072	20,943	30,289	153,478
71,731	12,350	5,605	433	2,299	16,713	9,768	1,202	9,993	5,193
–	–	–	–	–	(2)	–	–	–	–
8,893	1,352	480	2,370	493	10,118	1,454	595	995	9,309
64,347	434	997	12,035	7,260	20,968	1,560	7,159	2,022	3,316
351,001	64,689	17,869	55,780	27,247	147,352	40,846	30,641	44,205	180,293
458,502	161,280	26,028	312,163	69,202	401,397	124,862	51,093	62,439	489,829
–	3,110	144	6	1,627	2,997	1,703	2,057	2,568	10,000
81,706	47,431	–	–	53	6,219	–	5,561	–	–
79,903	23,370	2,403	22,591	11,896	28,595	7,970	9,409	6,850	49,464
620,111	235,191	28,575	334,760	82,778	439,208	134,535	68,120	71,857	549,293
971,112	299,880	46,444	390,540	110,025	586,560	175,381	98,761	116,062	729,586
3,380,925	148,782	120,569	558,288	213,522	916,688	345,694	265,674	27,991	1,134,431
47,716	–	–	–	–	7,379	–	–	–	31,867
3,428,641	148,782	120,569	558,288	213,522	924,067	345,694	265,674	27,991	1,166,298
57,415	5,300	319	12,676	2,012	29,231	8,159	2,351	4,691	12,340
19,039	297	–	5,804	–	2,301	671	774	–	6,967
3,505,095	154,379	120,888	576,768	215,534	955,599	354,524	268,799	32,682	1,185,605
$ 4,476,207	$ 454,259	$ 167,332	$ 967,308	$ 325,559	$ 1,542,159	$ 529,905	$ 367,560	$ 148,744	$ 1,915,191

SUPPLEMENTAL #1

August 25, 2015

3:48 pm

Supplemental Attachment – Section C, Economic Feasibility, Item 5

Replacement Page 39 to Reflect Revised Average Gross Charge

2. which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

   RESPONSE: Please see *Attachment C. Economic Feasibility – 4*. Historical and Projected Data Charts.

3. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

   RESPONSE: The project's average gross charge, average deduction from operating revenue, and average net charge are as follows:

	2014	Year 1	Year 2
Average Gross Charge	$1,638.74	$1,738.54	$1,790.70
Average Deduction	$1,089.94	$1,156.31	$1,191.00
Average Net Charge	$548.80	$582.23	$599.69

4. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

   RESPONSE: Below is a chart that reflects the current and proposed charge schedules for the project, which are both below the Median Charge of $2,175.15 per the HSDA's chart of the 2013 *Gross Charges per Procedure/Treatment.*

Payor	Current*	Year 1	Year 2
Private Pay	$1,687.90	$1,738.54	$1,790.70
Medicare	$1,687.90	$1,738.54	$1,790.70
Managed Care	$1,687.90	$1,738.54	$1,790.70

*2015 charges

The Applicant does not anticipate any changes to current gross charges as a result of the project.

Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable,

Supplemental #2
-Original -

St. Thomas Medical Partners d/b/a Saint Thomas Medical Partners Neurosurgery-Imaging Center

CN1508-033

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

August 31, 2015

Michel D. Brent, Attorney
Bradley Arant Boult Cummings, LLC
1600 Division Street, Suite 700
Nashville, TN 37203

RE: Certificate of Need Application Saint Thomas Medical Partners d/b/a Saint Thomas Medical Partners-Neurosurgery-Imaging Center, CN1508-033

Acquisition of MRI and Initiation of MRI Service

Dear Mr. Brent,
This will acknowledge our August 26, 2015 receipt of your 8/25/15 supplemental response regarding your **Consent Calendar Request** for a Certificate of Need to acquire the existing MRI unit approved in Neurological Surgeons, P.C, CN9902-013AM and initiate MRI services under the ownership and management of Saint Thomas Partners, a wholly owned affiliate of the Saint Thomas Health Network, at 2214 Elliston Place, Suite 200, Nashville (Davidson County), Tennessee.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 10 AM, August 31, 2015. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

Note: for ease of reference, the additional clarification is formatted to the original HSDA questionnaire sent by e-mail on 8/19/15 with responses returned by the applicant to HSDA on 8/25/15 (Supplemental 1). Questions from supplemental 1 are noted in italic font.

4. **Section B, Applicant Profile, Item 13 and Section C, Economic Feasibility, Item 6.B**

   Supplemental 1 - Will professional fees for MRI interpretation services by licensed radiologists be reimbursed by the applicant? If the radiologists will be billing separately using their own provider certification/registration numbers, what assurances apply such that the radiologists will hold Medicare and Medicaid provider certification and will be contracted with the same TennCare MCO plans as the applicant? Please briefly discuss the arrangements planned in this regard.

Supplemental 2 - Please also confirm that the radiologists providing imaging interpretation services participate in the TennCare MCO plans with which the applicant is contracted.

RESPONSE: All radiologists providing imaging interpretation services participate in the TennCare MCO plans with which the applicant is contracted.

5. Section B, Project Description, Item II.A.

Supplemental 1 - Please expand the executive summary by identifying counties included in the primary service area (PSA) proposed for this project. In your response; please briefly address any key differences from the PSA approved in CN9902-013.

Supplemental 1 - In terms of background, the applicant states that the MRI unit approved in CN9902-013 will be purchased as part of the acquisition of the physician practice and will continue to be used for the patients of the practice. However, it appears that referrals for MRI studies are not limited exclusively to patients of the practice. Rather, referrals by other physicians affiliated with the Saint Thomas Network will occur as well as referrals from non-affiliated physicians in the applicant's service area. Please clarify.

Supplemental 2 –The clarification provided indicates that the primary service area (PSA) is the same or substantially similar to CN9902-013A. Please revise the service area map attached with the original application to show all the counties in the PSA.

Supplemental 2 - With the expanded PSA, it appears that the practice would receive referrals for MRI studies of patients referred by physicians who are not affiliated with the practice, unless Saint Thomas Partners has a large referral coordination system in place with member physicians that practice in the outlying counties. Please briefly describe the referral coordination process that would apply to use of the medical practice's MRI service by patients of physicians that are not affiliated with the Saint Thomas Partners network.

RESPONSE: Please see the attached revised service area map. As to the referrals, there will be no MRI studies at the 2214 Elliston Place facility except for patients of physicians who are a part of the neurosurgery practice. Additionally, the applicant has the ability with its scheduling system (through the use of software commonly known as "Athena"), to assure that patients who might receive an MRI study at the 2214 Elliston Place facility are only patients of physician affiliated with the neurosurgery practice. Patients of other physicians (whether within the broader Saint Thomas Medical Partners group (but who are not affiliated with the neurosurgery practice) or who are outside the Saint Thomas Medical Partners group) in need of a MRI study will have those studies performed at other MRI facilities (within or outside of the Saint Thomas network)."

9. Section C, Need. Item 5 (Historical Utilization in PSA)

Supplemental 1 - The table is noted. However, HSDA Equipment Registry now has data for MRI utilization in 2014, including utilization by residents of Davidson County in 2014. Please revise the table by using the format illustrated in the table below.

Utilization of Existing MRI Providers in Davidson County, 2012-2014

Provider Name	*Type (PO, ODC, Hospital)*	*Current # units (specify if mobile)*	*Distance from Applicant (miles)*	2012	2013	2014	% *Change '12-'14*	*Use by County Residents in 2014*
Provider 1								
Provider 2, etc.								
Total								

Supplemental 2 – the table above showing the inventory of existing MRI units in Davidson County was completed as requested. However, HSDA will need a snapshot of the MRI inventory of all counties included in the primary service area (PSA) as clarified in your August 25, 2015 supplemental response, including Davidson, Cheatham, Robertson, Rutherford, Sumner, Williamson and Wilson Counties. The inventory can be provided in condensed form in the revised table below showing the combined totals for each county for the following information: number of fixed and mobile units by type provider (hospital, ODC, private office or HOPD); and, total combined MRI utilization by county from 2012-2014. *Note: please contact Alecia Craighead, Stat III at 615-253-2782 for assistance with the requested data from the HSDA Equipment Registry.*

Utilization of Existing MRI Providers in PSA, 2012-2014

County	Type (PO, ODC, Hospital, HOPD)	Current units (fixed)	Current Units (mobile)	2012	2013	2014	% Change '12-'14
Davidson							
Cheatham							
Robertson							
Rutherford							
Sumner							
Williamson							
Wilson							
Total							

SUPPLEMENTAL #2
August 31, 2015
9:48 am

RESPONSE: Please see the chart below:

Utilization of Existing MRI Providers in PSA, 2012-2014

County	Type (PO, ODC, Hospital, HOPD)	Current units (fixed)	Current Units (mobile)	2012	2013	2014	% Change '12-'14	MRI Utilization by County 2012-2014		
								2012	2013	2014
Davidson	Hosp.	23	0	63,163	63,829	61,939	-1.94%	130,843	130,611	134,373
	ODC	19**	0	43,257	41,061	45,272	4.66%			
	PO	10**	0	21,826	22,790	24,335	11.5%			
	HODC	1*	0	1,918	2,249	2,099	9.44%			
	H-Imaging	1	0	679	682	728	7.22%			
Cheatham	Hosp.	0	1 (2 days/ week)	375	303	298	20.53%	375	303	298
Robertson	Hosp.	1	0	2,780	3,232	3,407	22.55%	2,780	3,232	3,407
Rutherford	Hosp.	3	0	4,507	4,333	4,503	-.0009%	20,118	22,863	25,300
	ODC	4	0	9,302	12,388	13,925	17.75%			
	PO	2	0	6,309	6,142	6,872	8.92%			
Sumner	H-Imaging	1	1 (1 day/ week)	1,954	2,237	2,418	23.75%	9,748	10,259	10,512
	HODC	1	0	2,116	1,670	1,669	21.12%			
	Hosp.	2	0	4,958	5,629	5,787	16.72%			
	PO	1	0	720	723	638	-.11%			
Williamson	Hospital	1	0	3,654	4,103	4,119	12.73%	14,373	14549	14,008
	Outpatient Diagnostic Center	3	0	7,991	7,703	8,012	.3%			
	Physician Office	1	0	2,728	2,743	1,877	-31%			
Wilson	Hospital	1	0	3,000	2,213	2,472	17.6%	7,881	7,772	8,073
	Outpatient Diagnostic Center	1	0	2,559	2,562	3,191	24.7%			
	Physician Office	3	0	2,322	2,997	2,410	3.79%			
Total		**79**	**2**	**186,118**	**189,589**	**195,971**	**5.29%**	**186,118**	**189,589**	**195,971**

*Shared

Includes Shared Davidson PO: 1 with ODC, 1 with HODC; ODC: 1 with an PO

10. Item 6 (Applicant's Projected Utilization)

Supplemental 1 - The projected utilization is noted. It would help to have an appreciation of utilization resulting from referrals by physicians in Year 1 – both physician members of the practice and physicians of other practices located in the primary service area (PSA). Please clarify.

In your response, please complete the table below.

Applicant's Projected MRI Volumes by Physician Specialty

Primary Specialty	*MRI procedures as a result of referrals by MD Practice members*	*MRI Procedures As a result of other Physicians in PSA*	*Total MRI Procedures Year 1*
Family Practice			
Internal Medicine			
Orthopedics			
Radiology			
Neurology			
Neurosurgery			
Other ______			
TOTAL			

Supplemental 2 – the applicant states that there are no physicians who refer patients to the clinic from other practices. Based on the expanded service area confirmed in your August 25, 2015 supplemental response, please provide an estimate of referrals to help support the projected utilization of the MRI service area by completing the revised table below:

Physician MRI Referrals in PSA, Year 1

Primary Specialty	**Year 1 MRI procedures as a result of referrals by non-affiliated physicians in PSA**
Family Practice	
Internal Medicine	
Orthopedics	
Radiology	
Neurology	
Neurosurgery	
Other ______	
TOTAL	

RESPONSE: There will be no MRI studies at the 2214 Elliston Place facility except for patients of physicians who are a part of the neurosurgery practice. The neurosurgery practice has been the sole source of referrals to this MRI since it was first approved, and as noted elsewhere, the volume of studies performed in recent years at the 2214 Elliston Place facility have well exceeded the amount set forth in the Guidelines. Given that only neurosurgeons affiliated with the applicant will utilize the MRI, and the other categories noted in the draft chart do not apply to the group of neurosurgeons, the applicant does believe the chart is necessary.

12. Section C, Economic Feasibility, Item 4. (Historical and Projected Data Charts)

Supplemental 1 - Both Charts – Please provide a detail or breakout of "Other Expenses", such as annual costs related to the MRI service agreement and fees to radiologists for imaging interpretation services.

Supplemental 1 - Please provide a revised breakout of the base salary and full time equivalent positions by classification used to determine Salaries and Wages in Line D. 1 of the chart.

Supplemental 1 - The amount for the applicant's annual lease cost, prorated for the space used by the MRI service is missing from the chart. Please clarify.

Supplemental 2 - Projected Data Chart

Other Expenses (Line D.9) - The breakout is noted. The applicant notes that the total amount shown for 2016 and 2017 differ from the amounts shown in the Line D.9 of the Projected Data Chart submitted in the application. The revised amounts will need to be shown in a revised Projected Data Chart for the MRI service.

Salaries and Wages (Line D.1) – the amounts shown in the table total to $195,000 in lieu of $381,000 shown in line D.1 of the Projected Data Chart. Please clarify. If in error, the revised amount will need to be shown in a revised Projected Data Chart.

Rent (Line D.6) – the annual allocable lease costs are noted. The amounts will need to be shown in a revised Projected Data Chart.

The changes to the expense categories noted above will impact the Net Operating Income of the MRI service in Years 1 and 2 of the project. Please make all the necessary corrections to the items noted above and submit a revised Projected Data Chart for the MRI service.

RESPONSE: A revised chart is attached.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written**

notification is October 20, 2015. If this application is not deemed complete by this date, the application will be deemed void. Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. э 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

Jeff Grimm
Health Examiner
Tennessee Health Services & Development Agency

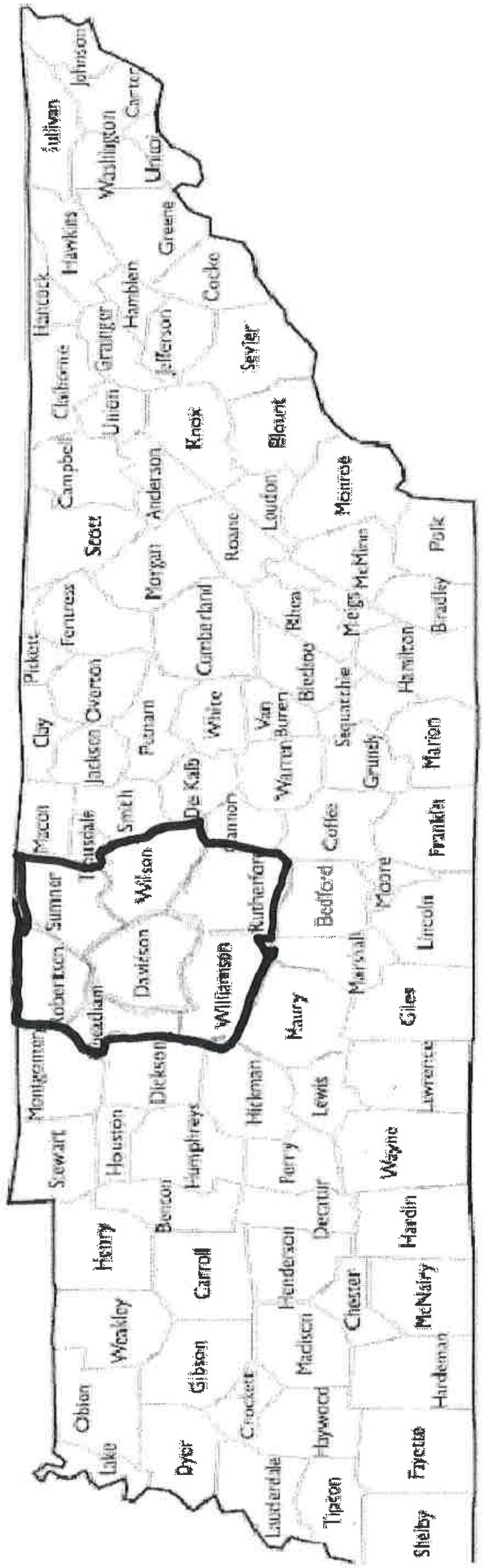
SUPPLEMENTAL #2

August 31, 2015
9:48 am

Replacement Service Area Map

Section C: General Criteria for Certificate of Need – Need.3

Service Area Map


Johnson
Sullivan
Carter
Washington
Unicoi
Hawkins
Greene
Hancock
Hamblen
Cocke
Grainger
Jefferson
Sevier
Claiborne
Union
Knox
Blount
Campbell
Anderson
Monroe
Scott
Loudon
Roane
Morgan
Polk
McMinn
Fentress
Cumberland
Rhea
Meigs
Bradley
Pickett
Overton
Bledsoe
Hamilton
Clay
Jackson
Putnam
White
Van Buren
Sequatchie
Marion
Grundy
Warren
De Kalb
Smith
Macon
Trousdale
annon
Coffee
Franklin
Wilson
Sumner
Rutherfor
Bedford
Moore
Lincoln
Robertson
Davidson
Williamson
Marshall
Cheatham
Maury
Giles
Montgomery
Dickson
Hickman
Lewis
Lawrence
Houston
Stewart
Humphreys
Perry
Wayne
Benton
Decatur
Hardin
Henry
Carroll
Henderson
Chester
McNairy
Weakley
Madison
Hardeman
Gibson
Obion
Crockett
Haywood
Fayette
Lake
Dyer
Lauderdale
Tipton
Shelby

SUPPLEMENTAL #2
August 31, 2015
9:48 am

Revised Projected Data Chart

PROJECTED DATA CHART (MRI)

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month).

	Year 2016	Year 2017
A. Utilization Data (Procedures Performed)	4,104	4,104
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services	$7,134,968	$7,349,017
3. Emergency Services		
4. Other Operating Revenue (Specify) ______		
Gross Operating Revenue	**$7,134,968**	**$7,349,017**
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	4,745,515	4,887,880
2. Provision for Charity Care		
3. Provisions for Bad Debt		
Total Deductions	**$4,745,515**	**$4,887,880**
NET OPERATING REVENUE	**$2,389,452**	**$2,461,136**
D. Operating Expenses		
1. Salaries and Wages	195,000	200,850
2. Physician's Salaries and Wages		
3. Supplies	145,540	149,906
4. Taxes		
5. Depreciation		
6. Rent	122,021	125,681
7. Interest other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses (Specify)______	735,268	757,326
Total Operating Expenses	**$1,197,829**	**$1,233,763**
E. Other Revenue (Expenses) – Net (Specify)		
NET OPERATING INCOME (LOSS)	**$1,191,623**	**$1,277,373**
F. Capital Expenditures		
1. Retirement of Principal		
2. Interest		
Total Capital Expenditures		
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**$1,191,623**	**$1,277,373**

SUPPLEMENTAL #2
August 31, 2015
9:48 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Saint Thomas Medical Partners D/B/A Saint Thomas Medical Partners Neurosurgery Imaging Center

I, Fahad Tahir, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

CEO
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the _____ day of __________, 20___, witness my hand at office in the County of DAVIDSON, State of Tennessee.

Diane Franklin
NOTARY PUBLIC

My commission expires January 9, 2018.

HF-0043

Revised 7/02

DIANE FRANKLIN
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY, TENN.